

ALBANY INTERNATIONAL CORP /DE/  
Form DEF 14A  
April 14, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION**  
Washington, D.C. 20549  
**SCHEDULE 14A**

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**Proxy Statement Pursuant to Section 14(a) of the Securities  
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Filed by the Registrant   **X**  
Filed by a Party other than the Registrant   **O**

Check the appropriate box:

- O** Preliminary Proxy Statement
- O** **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- X** Definitive Proxy Statement
- O** Definitive Additional Materials
- O** Soliciting Material Pursuant to Rule §240.14a-12

**Albany International Corp.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- X** No fee required.
- O** Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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April 8, 2009

To the Stockholders of Albany International Corp.:

## Edgar Filing: ALBANY INTERNATIONAL CORP /DE/ - Form DEF 14A

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Albany International Corp., which will be held at Wolferts Roost Country Club, 120 Van Rensselaer Boulevard, Albany, New York, at 10:00 a.m. on Friday, May 29, 2009. Please join us prior to the Annual Meeting at 9:30 a.m. to meet the Directors in the meeting room.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, you are urged to promptly vote and submit your proxy by phone, via the Internet, or by signing, dating, and returning the enclosed proxy card in the enclosed envelope. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

If you plan to attend the meeting, and have requested and received physical copies of these meeting materials, please so indicate on the enclosed proxy card so that we can make the necessary arrangements. (An addressed, postage-prepaid envelope is enclosed for your return of the proxy.)

Information about the meeting, including a description of the various matters on which the stockholders will act, can be found in the accompanying Notice of Annual Meeting and Proxy Statement. The Annual Report for the fiscal year ended December 31, 2008 also accompanies these materials.

Sincerely yours,

ERLAND E. KAILBOURNE  
*Chairman of the Board*

JOSEPH G. MORONE  
*President and Chief Executive Officer*

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ALBANY INTERNATIONAL CORP.  
1373 Broadway, Albany, New York 12204  
Mailing Address: P. O. Box 1907, Albany, New York 12201

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 29, 2009

The Annual Meeting of Stockholders of Albany International Corp. will be held at Wolferts Roost Country Club, 120 Van Rensselaer Boulevard, Albany, New York, on Friday, May 29, 2008, at 10:00 a.m. Eastern Time, for the following purposes:

1. To elect eight Directors to serve until the next Annual Meeting of Stockholders and until their successors have been elected and qualified;
2. to consider and take action on a proposal to approve a new Directors Annual Retainer Plan, increasing the stock portion of each Director's annual compensation to \$75,000 and extending the term of the Plan;
3. to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditor; and
4. to transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on April 3, 2009, will be entitled to vote at the Annual Meeting of Stockholders or any adjournment or adjournments thereof.

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your shares at your earliest convenience by telephone, via the Internet, or by signing, dating, and returning the enclosed proxy card. An addressed envelope for which no postage is required if mailed in the United States is enclosed if you wish to vote by mail. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option.

CHARLES J. SILVA, JR.  
*Secretary*

April 8, 2009

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## PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Albany International Corp. ( the Company ), 1373 Broadway, Albany, New York 12204 (P.O. Box 1907, Albany, New York 12201), of proxies in the accompanying form for use at the Annual Meeting of Stockholders to be held on May 29, 2009, and at any adjournment or adjournments thereof.

### Voting Procedures

Each properly executed proxy in the accompanying form received prior to the Annual Meeting will be voted with respect to all shares represented thereby and will be voted in accordance with the specifications, if any, made thereon. **If no specification is made, the shares will be voted in accordance with the recommendation of the Board of Directors. In addition, the shares will be voted in the discretion of the proxies with respect to (1) any matter of which we did not have notice prior to February 9, 2009, (2) the election of a person as a director in substitution for a nominee named in this proxy statement who, at the time of the meeting, is unable, or for good cause is unwilling, to serve, (3) any stockholder proposal properly excluded from this proxy statement, and (4) matters incident to the conduct of the meeting.** If a stockholder is a participant in our Dividend Reinvestment Plan or the Albany International Corp. ProsperityPlus Savings Plan, a properly executed proxy will also serve as voting instructions with respect to shares in the stockholder's account in such plans. A proxy may be revoked at any time prior to the voting thereof. This proxy statement and the accompanying form of proxy are first being made available to our stockholders on April 14, 2009.

The only persons entitled to vote at the Annual Meeting (including any adjournment or adjournments) are (1) holders of record at the close of business on April 3, 2009, of the Company's Class A Common Stock outstanding on such date and (2) holders of record at the close of business on April 3, 2009, of our Class B Common Stock outstanding on such date. As of March 26, 2009, there were 27,237,280 shares of the Company's Class A Common Stock outstanding and 3,236,098 shares of our Class B Common Stock outstanding. Each share of Class A Common Stock is entitled to one vote, and each share of Class B Common Stock is entitled to ten votes, on each matter to be voted upon.

Under our By Laws, a copy of which is available at the Corporate Governance section of our website ([www.albint.com](http://www.albint.com)), the presence, in person or by proxy, of shares having a majority of the total number of votes entitled to be cast at the meeting is necessary to constitute a quorum. Under Delaware law, if a quorum is present, a plurality of the votes cast at the meeting by the shares present in person or by proxy and entitled to vote is required for the election of directors, and a majority of the votes entitled to be cast at the meeting by the shares present in person or by proxy is required for any other action. Shares present at the meeting in person or by proxy and entitled to vote that abstain or fail to vote on any matter will be counted as present and entitled to vote but such abstention or failure to vote will not be counted as an affirmative or negative vote.

Under New York Stock Exchange rules, brokerage firms are generally permitted to vote in their discretion on behalf of clients who have been requested to provide voting instructions, and have failed to do so, by a date specified in a statement from the brokerage firm accompanying proxy materials distributed to its clients. Brokerage firms generally do not have such discretion, however, as to any contested action, any authorization for a merger or consolidation, any equity-compensation plan, or any matter that may affect substantially the rights or privileges of stockholders. In such a case, broker nonvotes would be treated as shares that are present at the meeting but fail to vote. The Company anticipates that brokerage firms will be able to vote in their discretion on the proposals to elect directors and to ratify the selection of PricewaterhouseCoopers LLC as auditors.

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## ELECTION OF DIRECTORS

All of the members of the Board of Directors are elected annually to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified. Pursuant to the By Laws, the Board of Directors may increase or decrease the number of directors from time to time, but not to fewer than three. The Board of Directors has determined that, until further action by the Board, the number of directors of the Company, from and after the time of the 2009 Annual Meeting of Stockholders, shall be eight. Accordingly, the number of directors to be elected at the 2009 Annual Meeting of Stockholders is eight. The Board of Directors has nominated *for* election the eight persons listed below, all of whom are currently serving as directors. Unless otherwise specified on the proxy, the shares represented by a proxy in the accompanying form will be voted for the election of the eight persons listed below. If, at the time of the meeting, any nominee is unable, or for good cause unwilling, to serve, which event is not anticipated, the shares will be voted for a substitute nominee proposed by the Board of Directors, unless the Board reduces the number of directors.

JOSEPH G. MORONE joined the Company as President on August 1, 2005. He has been a Director of the Company since 1996. He has served as President and Chief Executive Officer since January 1, 2006. From 1997 to July 2005, Dr. Morone served as President of Bentley College. Prior to joining Bentley, Dr. Morone served as Dean of the Lally School of Management and Technology at Rensselaer Polytechnic Institute and held the Andersen Consulting Professorship of Management. He is a director of Transworld Entertainment Corporation. Age 55.

CHRISTINE L. STANDISH has been a Director of the Company since 1997. From 1989 to 1991, she served the Company as a Corporate Marketing Associate, and was previously employed as a Graphic Designer for Skidmore, Owings & Merrill. She is a Director of the J. S. Standish Company, where she serves as President in charge of the Standish Family Foundation. She is a member of the Board of Trustees of the Albany Academies and Siena College. She is the sister of John C. Standish and the daughter of J. Spencer Standish. Age 43.

ERLAND E. KAILBOURNE has been a Director of the Company since 1999 and Chairman of the Board since May 9, 2008. He currently serves as Chairman of the Board of Financial Institutions, Inc., and its wholly owned subsidiary, Five Star Bank, which provides commercial banking services to customers in Western and Central New York State. From May 2002 until March 2003 he served as Chairman and interim Chief Executive Officer of Adelphia Communications Corp. He retired as Chairman and Chief Executive Officer (New York Region) of Fleet National Bank, a banking subsidiary of Fleet Financial Group, Inc., in 1998. He was Chairman and Chief Executive Officer of Fleet Bank, also a banking subsidiary of Fleet Financial Group, Inc., from 1993 until its merger into Fleet National Bank in 1997. He is a Director of the New York ISO, The John R. Oishei Foundation, Rand Capital Corporation, Allegany Co-op Insurance Company, USA Niagara Development Corp, Farash Corporation, and the Max and Marian Farash Charitable Foundation. Age 66.

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JOHN C. STANDISH has been a Director of the Company since 2001 and Vice Chairman of the Board since May 9, 2008. He previously served as Senior Vice President Manufacturing, Americas Business Corridor from March 2005 to January 2008, Director of North American Dryer Manufacturing from 2003 to March 2005, Director, PAC Pressing and Process Technology from 2000 to 2003, Manager of the Company's forming and engineered fabrics manufacturing facility in Portland, Tennessee from 1998 to 2000, Production Manager of Albany International B.V. in Europe from 1994 to 1998, a Department Manager for the Press Fabrics Division from 1991 to 1994, and Design Engineer for Albany International Canada from 1986 to 1991. He is Chairman of the J. S. Standish Company, and Director of the United Way of the Greater Capital Region. He is the brother of Christine L. Standish and the son of J. Spencer Standish. Age 45.

JUHANI PAKKALA has been a Director of the Company since 2004. Mr. Pakkala previously served as President and Chief Executive Officer of Metso Paper Inc. (formerly Valmet Corporation), in Finland, from 1999 until his retirement in July 2003. Metso Paper, a subsidiary of Metso Corporation, is one of the world's largest suppliers of pulp and paper process machinery and equipment. Prior to that time, Mr. Pakkala served in a number of executive positions in companies in the Metso (formerly Valmet) Group in Finland, the United States, and Canada. Age 63.

PAULA H. J. CHOLMONDELEY has been a Director of the Company since February 2005. From 2000 to 2004, she was a Vice President and General Manager of Sappi Fine Papers, North America, responsible for the Specialty Products Division. She previously served in executive and financial positions in a number of corporations, including Owens Corning, the Faxon Company, Blue Cross of Greater Philadelphia, and the Westinghouse Elevator Company. She also served as a White House Fellow assisting the U.S. Trade Representative during the Reagan Administration. Ms. Cholmondeley is a former certified public accountant, and serves on the Board of Directors of four other publicly traded companies: Terex Corporation, Ultralife Batteries, Inc., Dentsply International, and Minerals Technologies Inc. She is also an independent trustee of Nationwide Mutual Funds. Age 62.

JOHN F. CASSIDY, JR. has been a Director of the Company since November 2005. From January 1989 to May 2005, he served as Senior Vice President, Science and Technology, at United Technologies Corp. He served at the General Electric Corporate Research and Development Laboratories from 1981 to 1988. Dr. Cassidy is a member of the Board of Trustees of Rensselaer at Hartford, a member of the Connecticut Academy of Science and Engineering and a senior member of the Institute for Electrical and Electronics Engineers and the Society of Automotive Engineers. He serves on the Board of Directors of the Connecticut Technology Council, the Detroit-based Convergence Electronics Transportation Association, and the Convergence Educational Foundation. Age 64.

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EDGAR G. HOTARD has been a Director of the Company since November 2006. Mr. Hotard has been an independent consultant/investor since his retirement as President and Chief Operating Officer of Praxair, Inc. in 1999. In 1992, he co-led the spin-off of Praxair from Union Carbide Corporation, where he served as Corporate Vice President. He has served as a Venture Partner of ARCH Venture Partners since September 2004, and as Managing General Partner of Hotard Holdings Ltd., an investment partnership, since September 2006. He also serves as an advisor to the Monitor Group, a global strategy consulting firm, and as the Chairman of the Monitor Group (China). Mr. Hotard is a member of the Board of Directors of Global Industries, Ltd., and privately held Shona Energy Company, Inc. He was a founding sponsor of the China Economic and Technology Alliance and of a joint MBA program between Renmin University, Beijing, and the School of Management, State University of Buffalo, New York. Age 65.

## CORPORATE GOVERNANCE

**Director Independence.** The Corporate Governance Rules of the New York Stock Exchange ( the NYSE Rules ) provide that a company of which more than 50% of the voting power is held by an individual, a group, or another company will be considered to be a controlled company. As of April 3, 2009, J. Spencer Standish, related persons (including his children, Christine L. Standish and John C. Standish, directors of the Company; and J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors), and Thomas R. Beecher, Jr., as sole trustee of trusts for the benefit of descendants of J. Spencer Standish, held, in the aggregate, shares entitling them to cast approximately 54.28% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, we are a controlled company under the NYSE Rules. The Company has elected to avail itself of the provisions of the NYSE Rules exempting a controlled company from the requirements that the Board of Directors include a majority of independent directors (as defined by the NYSE Rules) and that the Compensation and Governance Committees be composed entirely of independent directors. As a result, not all of the members of the Compensation Committee or the Governance Committee are independent. The Board of Directors has determined, however, that all of the members of the Audit Committee are independent. The Board is not required to make this determination with respect to any other director, and it has not done so. A description of transactions, relationships, or arrangements (if any) considered by the Board in making these determinations is set forth in the Audit Committee discussion below.

**Meeting Attendance.** The Board of Directors met ten times in 2008. Each incumbent director attended (in person or by telephone) 75% or more of the aggregate number of meetings of the Board and of the committees of the Board on which he or she served. It is the policy of the Company that all persons who are candidates for election to the Board of Directors at an Annual Meeting of Stockholders should attend that meeting (either in person or, if necessary, by telephone). All of the candidates for election to the Board of Directors were present at the Annual Meeting of Stockholders in 2008.

**Committees.** The standing committees of the Board of Directors are a Governance Committee, an Audit Committee, and a Compensation Committee. During 2008, the Governance Committee met four times and the Audit Committee met seven times (including, in the second, third, and fourth quarters, a single meeting held in two parts to review the Company's quarterly operating results and earnings release (the first part) and the Quarterly Report on Form 10-Q (the second part)). The Compensation Committee met seven times during 2008.

**Governance Committee.** The Governance Committee reviews and recommends changes in the Company's Corporate Governance Guidelines and governance and management structure; evaluates the effectiveness of the Board of Directors, its committees, and the directors; recommends to the Board of Directors the persons to be nominated for election as directors; and reviews management succession planning. A copy of the Charter of the Governance Committee is available at the Corporate Governance section of our website ([www.albint.com](http://www.albint.com)). The current members of the Governance Committee are John Standish (Chairman), John Cassidy, and Edgar Hotard.

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Stockholders may send recommendations of persons to be considered by the Governance Committee for nomination for election as directors to: Chairman, Governance Committee, Albany International Corp., P.O. Box 1907, Albany, New York 12201. Our Corporate Governance Guidelines, a copy of which is available at the Corporate Governance section of our website ([www.albint.com](http://www.albint.com)), set forth criteria to be employed by the Governance Committee and the Board of Directors in determining whether a person is qualified to serve as a director of the Company. Recommendations by stockholders should include information relevant to these criteria. The Governance Committee will give consideration to persons recommended by stockholders in the same manner that it employs when considering recommendations from other sources. The Governance Committee considers, on an ongoing basis, the skills, background, and experience that should be represented on the Board of Directors and its committees, the performance of incumbent directors, the appropriate size of the Board of Directors, potential vacancies on the Board, and other factors relating to the efficacy of the Board. Although the Governance Committee does not employ professional consultants for this purpose, members of the Committee communicate with knowledgeable persons on a continuing basis to identify potential candidates for Board membership. Any potential candidates so identified are then discussed by the Committee and the Board, and if the potential candidate

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appears likely to be a substantial addition to the Board, he or she is then interviewed by members of the Committee and the Board. The Governance Committee then considers the reports of the interviews and other information that has been gathered and determines whether to recommend to the Board of Directors that the person be elected as a director.

All of the nominees for election as directors at the 2009 Annual Meeting are standing for reelection by stockholders.

**Audit Committee.** The Audit Committee assists the Board of Directors in fulfilling its fiduciary responsibilities regarding the Company's accounting and financial reporting practices and internal controls with respect to accounting, finance, legal compliance, and ethics. It also provides a means of open communication among the independent auditors, management, the Company's internal auditors, and the Board of Directors. The Board has also designated the Audit Committee as the Company's Qualified Legal Compliance Committee pursuant to the rules of the Securities and Exchange Commission with respect to Section 307 of the Sarbanes-Oxley Act. Under the NYSE Rules, the Audit Committee has sole authority to hire and fire our auditors. A copy of the current Charter of the Audit Committee is available at the Corporate Governance section of our website ([www.albint.com](http://www.albint.com)). The current members of the Audit Committee are Paula H. J. Cholmondeley (Chairman), Edgar G. Hotard, and Juhani Pakkala.

The Audit Committee has provided the following report:

The Audit Committee has reviewed and discussed with management and the independent auditors, PricewaterhouseCoopers LLP (PwC), the financial statements for 2008, including management's report with respect to internal control over financial reporting and PwC's attestation report with respect to management's report. The Audit Committee has discussed with PwC the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB), and has received from PwC the written disclosures and the communications relating to PwC's independence required by PCAOB rules. The Audit Committee has discussed with PwC its independence, and has considered whether the provision by PwC of the services referred to below under **RATIFICATION OF INDEPENDENT AUDITORS, All Other Fees** is compatible with maintaining the independence of PwC.

Based on the foregoing discussions and review, the Audit Committee recommended to the Board of Directors that the audited statements for 2008 be included in the Company's Annual Report on Form 10-K for 2008 filed with the Securities and Exchange Commission.

The financial reporting process of the Company, including the system of internal controls and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, is the responsibility of the Company's management. The Company's independent auditors (PwC) are responsible for auditing the financial statements. The Audit Committee monitors and reviews these processes. As required by the Corporate Governance Rules of the New York Stock Exchange, the Board of Directors has determined that, in their judgment, all of the members of the Audit Committee are financially literate and at least one member of the Committee has accounting or related financial management expertise. The Board has also determined that the Chairman of the Committee, Paula H. J. Cholmondeley, is a financial

expert as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. The members of the Audit Committee are not employees of the Company and do not represent themselves as experts in the field of accounting or auditing.

The Charter of the Audit Committee provides that the members of the Committee are entitled to rely, and they do rely, on advice, information, and representations that they receive from the independent auditors, management, and the head of internal audit. Accordingly, the review, discussions, and communications conducted by the Audit Committee do not assure that the financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of the Company's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, or that the Company's independent auditors are, in fact, independent.

The Audit Committee:  
Paula H. J. Cholmondeley, Chairman  
Edgar G. Hotard  
Juhani Pakkala

The Board of Directors has determined that none of the members of the Audit Committee has any relationship with the Company that may interfere with the exercise of his or her independence from management and the Company and, on that basis, has determined that each of them is independent within the meaning of the Sarbanes-Oxley Act and the NYSE Rules.

Mr. Pakkala was initially elected to the Audit Committee in August 2004. At that time, the Board considered his prior employment at Metso Paper Inc., a manufacturer of papermaking equipment. The Company has supplied products and services to Metso from time to time, and has also pursued other contractual agreements with them from time to time, mostly related to development of new products. Mr. Pakkala retired from Metso Paper in 2003, and since that time has maintained no relationship with Metso, other than the ownership of an option to purchase some shares of Metso Corporation, the parent company of Metso Paper, and rights to receive amounts under Metso pension and deferred compensation plans, all of which he acquired while a Metso Paper employee. The Board at that time determined that these factors did not rise to the level of a material relationship with the Company within the meaning of the NYSE Rules, and did not constitute a relationship with the Company that may interfere with the exercise of his independence from management.

Mr. Hotard was elected to the Audit Committee in May 2007. Mr. Hotard has provided services as an independent contractor to Monitor, a management consulting firm. The Company engaged Monitor during 2007 and 2008 to provide consulting services related to its Albany Engineered Composites business. Fees paid to Monitor during 2007 and 2008 were approximately \$380,000 and \$249,000, respectively. The Company does not currently expect to obtain any more services from, or pay any additional amounts to, Monitor. Mr. Hotard is not, and has never been, a Monitor employee. He has provided consulting services to Monitor's affiliate, Monitor Consulting Hong Kong Ltd, for the past eight years, functioning as an advisor for Monitor's Asia consulting practice, and serving as the Chair of Monitor Group (China), representing Monitor before the Chinese government and industry associations involved with China (e.g., the U.S. China Business Council).

In exchange for these services, Mr. Hotard receives an annual lump-sum retainer and reimbursement of travel expenses. The annual retainer is not based on any revenue-generation goals, and is independent of any consulting fees Monitor collects anywhere in the world, including fees received from the Company. He is also entitled to receive performance-based incentives related to identifying investment opportunities for Monitor Capital and for developing Monitor's consulting practice in Asia. Incentives are not tied to revenue-generation goals. He receives no portion of the fees paid by the Company to Monitor in the U.S., nor any commission or other compensation, direct or indirect, related to the Company's engagement of Monitor.

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Based on these facts, the Company's Board has determined that the retention of Monitor in the U.S. to provide consulting services did not constitute a material relationship between the Company and Mr. Hotard, and did not compromise his independence.

After due inquiry, the Board is not aware of, and therefore did not consider, any other transactions, relationships, or arrangements with any of the other members of the Audit Committee when determining their independence.

The Board of Directors has determined that Ms. Cholmondeley possesses all of the attributes of an audit committee financial expert, as such term is defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. Ms. Cholmondeley also serves on the audit committees of Dentsply International, Ultralife Batteries, Inc. and Minerals Technologies Inc., each of which is a public company. The Audit Committee Charter does not permit any member of the Audit Committee to serve on the audit committees of more than two other public companies, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to serve effectively on our Audit Committee, and such determination is disclosed in our annual proxy statement. In the case of Ms. Cholmondeley, the Board of Directors has made such a determination. In making this determination, the Board took into account Ms. Cholmondeley's representation that she does not intend to accept any employment other than as a member of governing boards, and that she would consult with the Chairman of the Governance Committee before accepting any employment, undertaking any additional board or committee positions, or making any other new and material time commitments. Pursuant to the NYSE Rules, the Board of Directors has determined that all of the current members of the Audit Committee are financially literate and that at least one member of the Committee has accounting or related financial management expertise. The Board of Directors believes that all of the current members of the Audit Committee are well qualified to perform the functions for which the Committee is responsible.

**Compensation Committee.** The Compensation Committee is generally responsible for determining the compensation of our directors and executive officers. A copy of the Committee's Charter is available at the Corporate Governance section of our website ([www.albint.com](http://www.albint.com)). The current members of the Compensation Committee are John F. Cassidy, Jr. (Chairman), Paula H. J. Cholmondeley, Christine L. Standish, and Juhani Pakkala.

As specified in its charter, the Compensation Committee is directly responsible for determining compensation of the Company's Chief Executive Officer as well as the other senior executive officers of the Company. The Committee also assists the Board of Directors in the creation and implementation of employee compensation, incentive, and benefit policies and plans; administers (or oversees the administration by management of) pension and other employee benefit plans; and approves grants and awards under our stock option and restricted stock unit plans, and our 2005 Incentive Plan (except for awards intended to preserve deductibility under Section 162(m) of the Internal Revenue Code, which awards are approved by a separate committee of independent directors designated for such purpose). These duties and responsibilities may be delegated to a subcommittee comprising one or more members of the Committee.

The Committee's Charter indicates that input from management is both expected and in some instances required in connection with the Committee's exercise of its responsibilities. See **The Role of Executive Officers in the Compensation Process** on page 20.

In addition, the Committee's charter charges the Committee with the responsibility to obtain advice and assistance from outside legal or other advisors or consultants as the Committee may from time to time deem appropriate, and to determine the compensation and other terms of service of such advisors and consultants. The Committee has exclusive power to select, retain, and terminate the services of any such advisors or consultants to assist in evaluating the compensation of the Chief Executive Officer or senior executives, and sole power to determine the compensation and other terms of service of such consultants. The Charter provides that we shall provide such funding as is necessary for the payment of fees and compensation to any advisors or consultants so employed by the Committee. During 2008, as in prior years, the Committee directly retained the services of Watson Wyatt Worldwide ( Watson Wyatt ) to perform a comparative competitive analysis of cash (salary and cash incentives) compensation paid to the Company's Chief Executive Officer, as well as to provide a similar analysis of the share-based performance awards proposed to be paid to the Chief Executive Officer and the other members of the senior management team. In each case, Watson Wyatt was asked to perform a competitive assessment of such cash or performance

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compensation, as well as an overview of peer executive compensation trends. Watson Wyatt's competitive frame of reference consisted of a peer group of manufacturing companies with comparable revenues, aggregate number of employees, and similar international complexity, as well as their own database of broader market data. For providing these services, the Company paid approximately \$12,000 to Watson Wyatt during 2008.

**Compensation Committee Interlocks and Insider Participation.** Directors Cholmondeley and Cassidy served on the Compensation Committee during all of 2008. Directors Pakkala and Christine Standish were appointed to the Committee in May 2008. Director Kailbourne served on the Committee until May 2008, as did former director Thomas R. Beecher, Jr.

No member of the Committee was an employee during 2008. Mr. Beecher is the Secretary, and is also a director, of J. S. Standish Co. (See **SHARE OWNERSHIP** on page 10.)

**Non-management directors.** Meetings of the non-management directors, as defined by the NYSE Rules, are regularly held at the conclusion of each meeting of the Board. The current non-management directors include all of the directors other than Dr. Morone. (John C. Standish was employed by the Company as an executive officer until January 31, 2008.) Meetings of the non-management directors during 2008 were chaired by the Chairman. The Chairman also acted as a liaison between the directors and the Chief Executive Officer and facilitates communication among the directors. Interested persons may communicate with the Chairman and the non-management directors by writing to: Chairman, Albany International Corp., P.O. Box 1907, Albany, New York 12201.

**Shareholder communications.** It is our policy to forward to each member of the Board of Directors any communications addressed to the Board of Directors as a group and to forward to each director any communication addressed specifically to such director. Such communications may be sent to: Albany International Corp., P.O. Box 1907, Albany, New York 12201.

**Available Information.** The Company's Corporate Governance Guidelines, Business Ethics Policy, and Code of Ethics for the Chief Executive Officer, Chief Financial Officer, and Controller, and the charters of the Audit, Compensation, and Governance Committees of the Board of Directors are all available at the Corporate Governance section of the Company's website ([www.albint.com](http://www.albint.com)). Stockholders may obtain a copy of any of these documents, without charge, from the friendly people who work in our Investor Relations Department. They may be contacted at:

Investor Relations Department  
Albany International Corp.  
Post Office Box 1907  
Albany, New York 12201-1907  
Telephone: (518) 445-2242  
Fax: (518) 445-2250  
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#### **Certain Business Relationships and Related Person Transactions**

Christine L. Standish and John C. Standish are directors of the Company. Christopher Wilk, Ms. Standish's husband, and John C. Standish were each Company employees during 2008.

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As an employee, Mr. Wilk received salary and other compensation (not including annual cash incentive bonus) of \$106,316 during 2008. As a participant in the Company's 401(k) plan, he also received Company-matching and profit-sharing contributions for 2008 of \$6,919. During 2008, Mr. Wilk received \$6,499 as a result of vesting of restricted stock units granted to him in 2004, 2005, 2006, and 2007. He has also accumulated a retirement benefit under the Company's U.S. defined benefit plan with an actuarial present value of approximately \$45,000 as of the pension valuation date of December 31, 2008 – an increase of approximately \$13,000 since December 31, 2007.

Mr. Wilk's employment with the Company terminated on January 1, 2009. The Company entered into separation and consulting agreements with Mr. Wilk in connection with his departure from the Company as an active employee. Under these agreements, Mr. Wilk will receive a gross sum of \$45,106 paid over a period of approximately 25 weeks, beginning January 1, 2009, as well as other benefits customarily provided by the Company to terminated employees. In addition, the Company agreed to pay Mr. Wilk at the rate of \$100 per hour for providing

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from 40 to 80 hours of consulting services per month through March 2009 (which date may be extended if both parties agree), assisting in the development of the Company's supervisor training program.

John C. Standish was paid salary and other compensation (not including annual cash incentive bonus) of \$18,158 during 2008. As a participant in the Company's 401(k) plan, he also received Company-matching and profit-sharing contributions for 2008 of \$4,176. He has also accumulated a retirement benefit under the Company's U.S. defined benefit plan with an actuarial present value of approximately \$130,000 as of the pension valuation date of December 31, 2008 – an increase of approximately \$42,000 since December 31, 2007.

Each of these individuals was also entitled to receive, during his period of employment, benefits under the Company's insurance, disability, and other employee benefit plans, in accordance with the terms of such plans.

Former Chairman Frank R. Schmeler served as Board Chairman until May 9, 2008. Previously, he served as Chief Executive Officer until December 31, 2005. He remained an employee of the Company until January 31, 2006. Upon his retirement on that date, he became entitled to receive (and began receiving) payments (calculated on the basis of a single life annuity) under the Company's U.S. defined contribution plan and unfunded U.S. supplemental retirement plan. These payments totaled \$316,000 during 2008, and the present value of his accumulated benefit as of the pension valuation date of December 31, 2008 was approximately \$3.3 million. (See the PENSION BENEFITS table on page 33 as well as the narrative discussion following the table for a description of these plans.)

In early 2008, the Company adopted a written policy requiring review of relationships and transactions in which directors or executive officers, or members of their immediate families, are participants in order to determine whether such persons have a direct or indirect material interest. The Company's Legal Department is responsible for developing and implementing processes and controls designed to obtain information relating to any such relationship or transaction, and for determining whether disclosure of such relationships or transactions is required. The Audit Committee of the Board of Directors is responsible for reviewing such information, and making recommendations to the disinterested members of the Board regarding the ratification or approval of such relationships or transactions. As set forth in the policy, the Audit Committee considers each transaction in light of relevant factors, including any benefits to the Company, whether the terms are arm's-length and in the ordinary course, the direct or indirect nature of the related person's interest in the transaction, the size and expected term of the transaction, and such other facts and circumstances as may bear on the materiality of the transaction or relationship. No director may participate in the review, ratification or approval of any transaction in which such director has an interest.

### **Chairman Emeritus**

As Chairman Emeritus of the Board of Directors, J. Spencer Standish is invited to all meetings of the Board and Compensation Committee of the Board and normally attends such meetings. He receives limited but regular assistance from Company administrative personnel in managing his correspondence and travel arrangements. He visits Company facilities in the United States and abroad from time to time, and consults with senior management from time to time on Company matters. Mr. Standish was reimbursed a total of \$18,359 for Company-related expenses incurred during 2008 in connection with such visits, his attendance at meetings, and such consultations. Other than his pension under the Company's retirement plans, and reimbursement of these expenses, Mr. Standish receives no fees or compensation for his activities with respect to the Company.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and officers, and any persons holding more than 10% of our Class A Common Stock, to file with the Securities and Exchange Commission reports disclosing their initial ownership of the Company's equity securities, as well as

subsequent reports disclosing changes in such ownership. To the Company's knowledge, based solely on a review of such reports furnished to us and written representations by such persons that no other reports were required, all persons who were subject to the reporting requirements of Section 16(a) complied with such requirements during the year ended December 31, 2008.

## SHARE OWNERSHIP

As of the close of business on March 26, 2009, each of the directors and the Named Executive Officers, and all current directors and officers as a group, beneficially owned shares of our capital stock as follows:

	Shares of Class A Common Stock Beneficially Owned (a)	Percent of Outstanding Class A Common Stock	Shares of Class B Common Stock Beneficially Owned	Percent of Outstanding Class B Common Stock
Joseph G. Morone	65,045 <sup>(b)</sup>	(c)		
Christine L. Standish	161,038 <sup>(d)</sup>	(c)	153,022 <sup>(e)</sup>	4.73%
Erland E. Kailbourne	8,111	(c)		
John C. Standish	161,157 <sup>(f)</sup>	(c)	153,022 <sup>(g)</sup>	4.73%
Juhani Pakkala	4,741	(c)		
Paula H. J. Cholmondeley	4,836 <sup>(h)</sup>	(c)		
John F. Cassidy, Jr.	4,223	(c)		
Edgar G. Hotard	3,143	(c)		
Michael C. Nahl	181,275 <sup>(i)</sup>	(c)	1,050 <sup>(e)</sup>	
Daniel Halftermeyer	40,383 <sup>(j)</sup>	(c)		
David Madden	16,079 <sup>(k)</sup>	(c)		
Michael Joyce	13,374 <sup>(l)</sup>	(c)		
All officers and directors as a group (18 persons)	561,604	2.06%	155,776	4.81%

- (a) Because shares of Class B Common Stock are convertible at any time into shares of Class A Common Stock on a one-for-one basis, they are reflected in the above table both as Class B shares beneficially owned and as Class A shares beneficially owned. Beneficial ownership has the meaning specified under Rule 13d-3 of the Securities Exchange Act.
- (b) Includes (i) 62,099 shares owned outright and (ii) 2,946 shares held in the Company's employee stock ownership plan.
- (c) Ownership is less than 1%.
- (d) Includes (i) 6,595 shares owned outright, (ii) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, and (iii) 1,421 shares held by Ms. Standish or her husband, a former employee of the Company, in their respective accounts in the Company's 401(k) retirement savings and employee stock ownership plans. The nature of Ms. Standish's beneficial ownership of the Class B shares is described in note (e) below.
- (e) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,153 shares held by a trust for her sole benefit, as to which she has no voting or investing power, (ii) 868,013 shares held by J. S. Standish Company, of which she is a director, (iii) 10,700 shares held by the Christine L. Standish Gift Trust, a trust for the benefit of her descendants as to which she has no voting or investment power, or (iv) 120,000 shares held by The Christine L. Standish Delta Trust, a trust for the benefit of her descendants as to which she has no voting or investment power.
- (f) Includes (i) 153,022 shares issuable upon conversion of an equal number of shares of Class B Common Stock, (ii) 515 shares held by Mr. Standish in his account in the Company's 401(k) retirement savings and employee stock ownership plans, and (iii) 7,620 shares issuable upon exercise of options currently exercisable. The nature of Mr. Standish's beneficial ownership of the Class B shares is described in note (g) below. Does not include 11 shares owned by his spouse, as to which shares he disclaims beneficial ownership.

- (g) Includes (i) 1,704 shares owned outright and (ii) 151,318 shares owned by the Standish Delta Trust. Does not include (i) 247,154 shares held by a trust for his sole benefit, as to which he has no voting or investment power, (ii) 868,013 shares held by J. S. Standish Company, of which he is a director, (iii) 10,700 shares held by the John C. Standish Gift Trust, a trust for the benefit of his descendants as to which he has no voting or investment power, or (iv) 120,000 shares held by the John C. Standish Delta Trust, a trust for the benefit of his descendants as to which he has no voting or investment power.
- (h) Includes (i) 3,393 shares owned outright, and (ii) 1,443 shares in a retirement plan.
- (i) Includes (i) 26,276 shares owned outright, (ii) 3,949 shares held in the Company's employee stock ownership plan, (iii) 150,000 shares issuable upon exercise of options exercisable currently or within 60 days, and (iv) 1,050 shares issuable upon conversion of an equal number of shares of Class B Common Stock.
- (j) Includes (i) 14,583 shares owned outright and (ii) 25,800 shares issuable upon exercise of options exercisable currently or within 60 days.
- (k) Includes (i) 12,443 shares owned outright, (ii) 3,636 shares held in the Company's employee stock ownership plan, and (iii) 6,700 shares issuable upon exercise of options exercisable currently or within 60 days.
- (l) Includes (i) 11,543 shares owned outright and (ii) 1,831 shares held in the Company's employee stock ownership plan.

Each of the individuals named in the preceding table has sole voting and investment power over shares listed as beneficially owned, except as indicated. Each of the directors and officers whose share ownership is reported above has indicated that no such shares are pledged as security.

The following persons have informed us that they were the beneficial owners of more than five percent of our outstanding shares of Class A Common Stock:

Name(s) <sup>(a)</sup>	Reported Shares of Company's Class A Common Stock Beneficially Owned*	Percent of Outstanding Class A Common Stock
J. Spencer Standish	2,583,707 <sup>(b)</sup>	8.66%
Tradewinds Global Investors, LLC	2,153,782 <sup>(c)</sup>	7.45%
Barclays Global Investors, NA	1,818,939 <sup>(d)</sup>	6.80%
FMR LLC,	1,722,975 <sup>(e)</sup>	6.44%
Wellington Management Company, LLP	1,464,826 <sup>(f)</sup>	5.47%
NFJ Investment Group LLC	1,466,600 <sup>(g)</sup>	5.48%
Keeley Asset Management Corp	1,430,000 <sup>(h)</sup>	5.34%
Reich & Tang Asset Management LLC	1,347,000 <sup>(i)</sup>	5.03%

\* As of December 31, 2008, except for J. Spencer Standish, whose holdings are shown as of April 3, 2009.

- (a) Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, 395 Llywd's Lane, Vero Beach, Florida 32963; Tradewinds Global Investors, LLC, 2049 Century Park East, 20<sup>th</sup> floor, Los Angeles, CA 90067; Barclays Global Investors, NA, 400 Howard Street, San Francisco, California 94105; FMR LLC, 82 Devonshire Street, Boston, MA 02109; Wellington Management Company, LLP, 75 State Street, Boston, MA 02109; NFJ Investment Group LLC, 2100 Ross Avenue, Suite 700, Dallas, Texas 75201; Keeley Asset Management Corp., 401 South LaSalle Street, Chicago, IL 60605; and Reich & Tang Asset Management LLC, 600 Fifth Avenue, New York, NY 10020.
- (b) Includes 2,583,707 shares issuable upon conversion of an equal number of shares of Class B Common Stock. 1,715,694 shares of Class B Common Stock are held by trusts as to which he has sole voting and investment power; the remaining 868,013 shares are held by J. S. Standish Company. (J. S. Standish Company is a corporation as to which J. Spencer Standish holds the power to elect all of the directors.) Current directors of J. S. Standish Company include J. Spencer Standish, John C. Standish (son of J. Spencer Standish),

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Christine L. Standish (daughter of J. Spencer Standish), and Thomas R. Beecher, Jr. Does not include (x) 8,016 shares

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of Class A Common Stock beneficially owned by his daughter, Christine L. Standish, a director of the Company, (y) 8,135 shares of Class A Common Stock beneficially owned by his son, John C. Standish, a director of the Company, or (z) 151,318 shares issuable upon conversion of an equal number of shares of Class B Common Stock held by the Standish Delta Trust. Mr. Standish disclaims beneficial ownership of such shares.

- (c) Represents shares reported as beneficially owned by Tradewinds Global Investors, LLC in its capacity as investment adviser, including shares that may be issued upon conversion of the Company's 2.25% Convertible Senior Notes due 2026. Tradewinds Global Investors, LLC reports that it has sole power to vote or direct the vote of 1,803,542 such shares, and sole power to dispose or direct the disposition of all such shares. (The 2.25% Notes are not currently convertible. If they were currently convertible, given the price of the Company's Class A Common Stock as of March 26 of \$9.24 per share, a converting holder would be entitled to receive conversion proceeds exclusively in cash, and would not receive any shares of Class A Common Stock. Therefore, the Company does not believe that the shares reported by Tradewinds as beneficially owned are actually beneficially owned by Tradewinds within the meaning of Exchange Act Rule 13d-3.)
- (d) Represents shares beneficially owned by Barclays Global Investors, NA, and one or more affiliates, including Barclays Global Fund Advisors and Barclays Global Investors, Ltd. Barclays Global Investors, NA, and/or one or more of such entities has the sole power to vote or direct the vote of 1,400,759 such shares, and sole power to dispose or direct the disposition of all such shares.
- (e) Represents shares beneficially owned by subsidiaries of FMR LLC, including Fidelity Management & Research Company, which are investment advisers to investment companies or investment managers of client accounts. FMR LLC and one or more of such subsidiaries has sole power to vote or direct the vote of 14,986 such shares, and sole power to dispose or direct the disposition of all such shares.
- (f) Represents shares beneficially owned by investment advisory clients of Wellington Management Company, LLP. Wellington Management Company, LLP has shared power to vote or direct the vote of 1,056,023 such shares, and shared power to dispose or direct the disposition of all such shares.
- (g) Represents shares beneficially owned by NFJ Investment Group LLC and/or certain investment advisory clients or discretionary accounts. NFJ Investment Group LLC has sole power to vote or direct the vote of 1,445,100 such shares, and sole power to dispose or direct the disposition of all such shares.
- (h) Represents shares beneficially owned by Keeley Asset Management Corp. and its affiliate Keeley Small Cap Value Fund. The listed holders have sole power to vote or direct the vote of, and shared power to dispose or direct the disposition of, all such shares.
- (i) Represents shares beneficially owned by Reich & Tang Asset Management LLC and/or certain investment advisory clients or discretionary accounts. Reich & Tang Asset Management LLC has shared power to vote or direct the vote of, and shared power to dispose or direct the disposition of, all such shares.

The following persons have informed the Company that they are the beneficial owners of more than five percent of the Company's outstanding shares of Class B Common Stock as of April 3, 2009:

Name(s) <sup>(a)</sup>	Shares of Company's Class B Common Stock Beneficially Owned	Percent of Outstanding Class B Common Stock
J. Spencer Standish	2,583,707 <sup>(b)</sup>	79.84%
J. S. Standish Company	868,013	26.82%
Thomas R. Beecher, Jr.	645,625 <sup>(c)</sup>	19.95%

(a)

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Addresses of the beneficial owners listed in the above table are as follows: J. Spencer Standish, 395 Llwyd s Lane, Vero Beach, Florida 32963; J. S. Standish Company, c/o Barrantys LLC, 120 West Tupper Street, Buffalo, New York 14201; and Thomas R. Beecher, Jr., c/o Barrantys LLC, 120 West Tupper Street, Buffalo, New York 14201.

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- (b) Includes (i) 868,013 shares held by J. S. Standish Company, a corporation of which he is a director and as to which he holds the power to elect all of the directors, and (ii) 1,715,694 shares held by trusts as to which he has sole voting and investment power. Does not include (x) 1,704 shares of Class B Common Stock owned outright by his son, John C. Standish, (y) 1,704 shares of Class B Common Stock owned outright by his daughter, Christine L. Standish, or (z) 151,318 shares held by the Standish Delta Trust. Mr. Standish disclaims beneficial ownership of such shares.
- (c) Includes (i) 247,154 shares held by a trust for the sole benefit of John C. Standish (son of J. Spencer Standish) and (ii) 247,153 shares held by a trust for the sole benefit of Christine L. Standish (daughter of J. Spencer Standish). Mr. Beecher is the sole trustee of such trusts with sole voting and investment power. Also includes 151,318 shares held by the Standish Delta Trust, of which he is trustee with shared voting and investment power. Does not include 868,013 shares held by J. S. Standish Company, of which he is a director.

### Voting Power of Mr. Standish

J. Spencer Standish, related persons (including Christine L. Standish and John C. Standish, directors of the Company) and Thomas R. Beecher, Jr., as sole trustee of trusts for the benefit of descendants of J. Spencer Standish, now hold in the aggregate shares entitling them to cast approximately 54.28% of the combined votes entitled to be cast by all stockholders of the Company. Accordingly, if J. Spencer Standish, related persons, and Thomas R. Beecher, Jr., as such trustee, cast votes as expected, election of the director nominees listed above will be assured.

### Compensation Committee Report

The Compensation Committee of the Board of Directors (the Committee) has reviewed the Compensation Discussion and Analysis following this report with management of the Company, and based on such review recommended to the Board of Directors that it be included in the Company's Annual Report on Form 10-K and this proxy statement.

John F. Cassidy, Jr., Chairman  
Paula H. J. Cholmondeley  
Juhani Pakkala  
Christine L. Standish

### COMPENSATION DISCUSSION AND ANALYSIS

The subject of this discussion is the compensation given to five individuals: the Company's Chief Executive Officer, Chief Financial Officer, and the three other executives of the Company who were the most highly compensated during 2008. The objective is to explain the material elements of compensation paid to these individuals, as reported in the tables and narrative discussion appearing under the heading **EXECUTIVE COMPENSATION** below. We will also address compensation philosophies and practices that relate to compensation given in earlier years, as well as compensation matters that will affect compensation in 2009.

The SEC regulations that tell us what we must discuss in this analysis refer to the five individuals whose compensation is discussed as the named executive officers, and we will do the same. In this proxy statement, the Named Executive Officers (NEOs) are: President and CEO Joseph G. Morone, Executive Vice President and CFO Michael C. Nahl, Group Vice Presidents Daniel A. Halftermeyer and Michael J. Joyce, and former Group Vice President David B. Madden.

Some of the compensation given to the NEOs was paid, earned, or awarded pursuant to plans or programs in which other Company executives participate. Herein, we refer to four groups of executives. Managers or management refers to approximately 550 managers worldwide who participate in the annual cash incentive bonus program described below. Top management refers to approximately 250 more senior managers who are eligible to receive annual grants of Restricted Stock Units (RSUs) as described below. Executive officers refers to a still more senior group of from 12 to 15 executives who are elected by the Board of Directors and are identified as executive officers in our Annual Report on Form 10-K. Finally, the term senior management team refers to the CEO

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and a core group of 7 to 9 top executives working most closely with him. The senior management team receives stock-based Performance Awards (also described below).

### **Compensation Philosophy and Objectives**

The principal objectives of our executive compensation program are (1) to enable the Company to attract and retain talented, well-qualified, experienced, and highly motivated managers whose performance will substantially enhance the Company's performance, (2) to structure elements of compensation so that performance consistent with delivering shareholder value and the Company's annual and long-term goals is suitably rewarded, and (3) in the case of top management, to align the interests of each manager with the interests of our stockholders. The Company believes that aligning the interests of management and stockholders, and rewarding performance consistent with annual and long-term goals, leads to greater value for stockholders.

Given these foregoing objectives, our compensation program is designed to recognize and reward: (1) the extent to which the Company, on a consolidated basis, and under the leadership of the CEO and the senior management team, succeeds in attaining specific financial, operational, or strategic goals during the year; (2) the extent to which each member of management succeeds in achieving the annual financial, operational, and/or strategic goals relating directly to the business unit for which such executive is responsible or with which such executive is associated (which, in the case of the CEO and CFO, is the Company as a whole), as well as, in some cases, the extent to which he or she succeeds in achieving more specific individual goals tailored to the executive's specific job function or situation; (3) the extent to which each member of management succeeded in responding to events, problems, challenges, and opportunities arising during the course of the year, whether operational or strategic, which were not anticipated in management's operating plan, or were otherwise not exclusively within management's control; (4) the demonstration of competent, intelligent, and ethical business behavior and managerial skill, regardless of success or failure in achieving operating plan or other goals during the year; (5) the demonstration of loyalty and commitment to the Company in the form of continued voluntary employment (i.e., executive retention).

There are multiple elements to the Company's compensation and it is the philosophy of the Company (approved by the Board of Directors) to compensate individuals based on their individual importance to the Company in achieving strategic objectives, consistent with competitive market practices with respect to each element of compensation. However, the Company has no fixed policy on allocating between long-term and current compensation or between cash and non-cash elements.

In approving each element of compensation, the Committee reviews a summary (i.e., tally sheet) of all material elements of annual and long-term compensation (including accrued pension and 401(k) benefits) for each NEO and every other member of the senior management team. These tally sheets show actual compensation earned in the immediate prior year and, depending on the executive's length of service, several years prior thereto. The information includes each executive officer's actual salary, annual bonus, payments under the Company's RSU plan, awards under the equity-based long-term incentive plan, pension accruals and other compensation paid by the Company. The tally sheets also show the outstanding balances of RSU grants and equity-based awards and the unrealized gains on those balances. The tally sheets are used for the purposes of determining how well past compensation practices satisfy the Committee's objectives, and providing insight into each executive's accumulation of wealth. It is the Committee's philosophy that neither the historical data nor any perceived wealth accumulation justified a change in either the Committee's current compensation philosophy or the elements of compensation employed. It is the Committee's belief that an executive's accumulation of wealth is the result of his or her achievement of a series of objectives over time. Furthermore, it is the Company's philosophy that the perceived accumulated wealth by the NEOs was not so significant as to deter the Committee from its objective of compensating individuals based on their individual importance to the Company in achieving strategic objectives.

Watson Wyatt Worldwide (Watson Wyatt) is the consultant to the Committee. They provide the Committee with the data it uses to determine both market compensation and the key elements of compensation. They also provide advice to the Committee on which compensation elements are appropriate for furthering its objectives. In addition to the data provided by Watson Wyatt, the Committee reviews materials regarding compensation that are provided from time to time by the Company's Human Resources Department.

Final compensation decisions are the purview of Committee. The Committee's decisions are based on an executive's annual achievements, company or business unit performance, the Committee's review regarding the executive's abilities, management, experience and effectiveness, and the Company's long-term goals. In the specific case of the CEO, the Committee's Charter charges the Committee with the responsibility of reviewing and approving performance goals and objectives relevant to the determination of his compensation, evaluating performance in the

light of such goals and objectives and determining his compensation after taking such evaluation into account. In practice, the Committee reports to the full Board of Directors and solicits its comments prior to taking any action. Thus, although the decisions regarding the CEO's compensation are those of the Committee, they reflect the advice and input of the entire Board of Directors.

### Elements of Compensation

During 2008 the Company again used four principal elements of compensation to achieve the foregoing objectives: (1) base (cash) salary; (2) annual cash incentive bonuses; (3) retention incentives in the form of RSUs granted pursuant to the Company's Restricted Stock Unit Plan (RSU Plan); and (4) performance-based incentive grants (Performance Awards), denominated in shares of Company stock and payable in a combination of cash and shares, awarded pursuant to the Company's 2005 Incentive Plan. The objective and subjective factors that determine the specific type and amount of each element of compensation are addressed in the discussion of each such element.

#### Cash Compensation – Salary and Annual Incentive Bonus

Annual cash salary constitutes the core cash portion of the compensation of every member of management, including the NEOs. Base salaries are established as a percentage of targeted cash compensation for each officer. For the NEOs, the percentages for 2008 ranged from 44% (for the CEO) to approximately 69% (for the CFO) when established in early 2008. Although total cash compensation for each executive officer (base salary plus annual cash incentive) was intended to be competitive with companies with which we compete for executive talent, the overarching philosophy of the Committee when setting 2008 annual cash salaries was to compensate each executive officer based on his or her individual importance to the Company and its strategies, taking internal equity into account. This was a significant departure from the Committee's prior philosophy, which was to place the Company at the median of compensation paid by comparable U.S. industrial companies.

Salaries of executive officers are customarily adjusted to become effective in April of each year. In 2008, the Committee approved annual salary increases for Company managers averaging 3.5% (excluding increases granted in recognition of a substantial change in responsibilities). Except for Mr. Joyce, the NEOs received increases of 3.5% at that time. Mr. Joyce received an increase of 31.2%, reflective of his growth in the position of Group Vice President and to achieve internal equity with the other Group Vice Presidents. Effective September 1, 2008, Messrs. Joyce and Halftermeyer each received an additional increase of 10% in recognition of new responsibilities given to them at that time. No increases have been given to any of the NEOs for 2009 as the Committee had already decided in 2008 to forego merit salary increases for 2009, except in cases of promotion or other change in responsibilities.

The Company also targets a percentage of each manager's total annual cash compensation as incentive bonus. Although the final amount of the incentive bonus actually paid to a manager (including each of the NEOs) is determined by the Committee in its sole discretion, it is generally based on Company, business unit, and individual performance during the previous year. For the 2008 incentive bonus (payable in early 2009 on the basis of 2008 performance) the Committee approved specific performance factors proposed by management at the beginning of 2008. As in prior years, such factors related to one or more of: operating income, net sales, and management of working capital, as well as specific individual performance criteria developed for each manager. A bonus at the targeted level is paid only if the Committee determines that the performance levels that it considers appropriate for the particular fiscal year have been achieved. Lesser cash incentives will be paid if such performance levels are not achieved, and larger incentives will be paid if performance exceeds such levels.

Target bonuses as a percentage of base salary were set in early 2008 for each of the NEOs as follows: Joseph G. Morone, 125%; Michael C. Nahl, 44%; Daniel A. Halftermeyer, 55%; David B. Madden, 55%; and Michael J. Joyce, 55%.

The 2008 performance measurement metrics established for Dr. Morone and Mr. Nahl related to the Company's Adjusted Operating Income and the Adjusted Net Sales from the Company's Applied Technologies and Albany Door Systems business segments. They were weighted to account for 75% and 25%, respectively, of their target bonus. The performance goals established were an Adjusted Operating Income of \$109.1 million and Adjusted Net Sales from the applicable businesses of \$406.5 million. However, the performance goals were subsequently adjusted downward to reflect the sale of the Company's Filtration Technologies business, which closed in July 2008.

The Company's Adjusted Operating Income was defined as the operating income as reported in the Company's Consolidated Statement of Income adjusted, generally, to exclude: (1) the effect of any adjustments to the Company's financial statements required to reflect the effect of (a) discontinued operations, (b) newly effective accounting pronouncements, or (c) restructuring charges; (2) (i) the effect of any Operating Income (or loss), attributable to any business operations acquired during 2008, (ii) the effect of any Operating Income attributable to the sale of any real estate during 2008, or (iii) the reallocation of any overhead costs that were otherwise attributable to any business operation divested during 2008; (3) the effect of any expenses related to equipment relocations related to plant closings or the consolidation of manufacturing capacities; (4) the effect of any expenses related to the implementation of SAP (a strategic initiative); (5) the effect of any expenses incurred in connection with

any terminations relating to a plant closing, consolidation, downsizing or other action to reduce costs or streamline operations when the cost of such termination would not be considered restructuring charges (as defined by GAAP); and (6) to exclude any expenses, including consulting or professional fees, incurred in connection with any activities undertaken at the direction of the Board of Directors to investigate or pursue any strategic acquisitions, combinations, joint ventures or divestitures.

Similarly, the net sales from the two applicable business segments were adjusted, generally, to exclude (1) the effect of any adjustments to the Company's consolidated financial statements required to reflect discontinued operations, and (2) any Consolidated Net Sales attributable to any business operations acquired during 2008.

Messrs. Halftermeyer, Madden and Joyce shared a single performance measurement metric to reflect the scope of their responsibilities. That metric was the 2008 Adjusted Global PMC Operating Income, which was defined as the operating income attributable to the PMC and Process Belts business segments, reduced by an amount equal to ten percent (10%) of the aggregate sum of Accounts Receivable, net and Inventories (both attributable to only those segments), and further adjusted pursuant to the same six (6) adjustments set forth above as applied to the Adjusted Operating Income metric used for Dr. Morone and Mr. Nahl. The performance goal established was a 2008 Adjusted Global PMC Operating Income of \$105.2 million.

Following the close of 2008, the Committee reviewed Company performance with respect to the performance metrics identified and determined that the Company's Adjusted Operating Income for 2008 was \$90.05 million, that Adjusted Net Sales from the Applied Technologies and Albany Door Systems Segment were \$358.93 million, and that 2008 Adjusted Global PMC Operating Income was \$99.02 million. Applying these results yielded annual bonus payouts to the five NEOs ranging from 90.3% to 92.5% of target. Consequently, the NEOs were awarded an annual cash incentive equal to the percentage of their target as follows: Joseph G. Morone, 90.3%; Michael C. Nahl, 90.3%; Daniel Halftermeyer 92.5%; David Madden 92.5%; and Michael Joyce 92.5%.

Although the annual incentive bonus is also sometimes referred to as the annual cash incentive bonus, the Committee decided in late 2008 that one-half of any incentive bonuses paid in 2009 (for performance in 2008) would be paid in the form of a grant of shares of the Company's Class A common stock under the 2005 Incentive Plan. This payment structure will apply to all managers including the NEOs. The Committee determined that, in the near term, the goal of preserving of cash justified paying half of the annual incentive bonus in stock. Continuing to pay one-half of the annual incentive bonuses in cash will assist the recipients in meeting any tax obligations arising due to the bonus payment.

#### Performance Awards

Since the adoption of the 2005 Incentive Plan, grants of Performance Awards have been made to the members of the senior management team, including the NEOs. Awards to the NEOs in 2008 again consisted of a target number

of shares of the Company's Class A Common Stock. Each award entitled the recipient to be credited with a number of shares equal to from 0% to 200% of such target, based on the extent to which he or she attained certain performance goals during 2008. Once credited, awards are to be paid out as follows: (1) 25% in early 2009, in cash, (2) 50% in early 2010, half in cash and half in shares, and (3) the remaining 25% in early 2011, half in cash and half in shares. The awards are in cash and stock to facilitate the satisfaction of any tax obligations from these payments. The target share amount awarded to each NEO was: Joseph G. Morone, 42,000 shares; Michael C. Nahl, 14,000 shares; Daniel Halftermeyer, 9,000 shares; David Madden, 9,000 shares; and Michael J. Joyce, 9,000 shares. The performance measurement metrics for the NEOs were the same performance measurement metrics established for the 2008 annual cash incentive bonus award. That is, the Company's Adjusted Operating Income and the Adjusted Net Sales from the Company's Applied Technologies and Albany Door Systems business segments weighted 75% and 25%, respectively, for Dr. Morone and Mr. Nahl, and 2008 Adjusted Global PMC Operating Income for Messrs. Halftermeyer, Madden and Joyce. Similarly, the performance goals were also the same as those established for the cash incentive award.

In determining the size of the 2008 performance awards, the Committee's primary intention was to establish incentives consistent with competitive best-practices at comparable companies and of sufficient size to motivate performance and encourage retention. The Committee also considered (1) the alignment between the performance goals and the Company's business objectives, (2) the advice of Watson Wyatt as to the total value of the awards, as well as the ideal frequency of various award outcomes, and (3) the sizes of the Performance Awards actually earned during 2005, 2006 and 2007. In general, the Committee seeks to establish target criteria that would result in a 50% probability of a 100% payout. The Committee further intended that there be a rather high probability that threshold levels would be met, and a rather low probability that maximum levels would be met.

Because all awards, once earned, continue to be denominated in shares of Class A Common Stock until they are paid out, the value of the awards remains linked to the value of the Company's Class A Common Stock over the three-year distribution period. Thus, the executive's interests remain aligned with those of the shareholders.

#### Restricted Stock Units

When the Company adopted the RSU Plan in 2003, the Committee reported that it regarded the RSU plan as an alternative to the Company's stock option plans, and that it did not expect to grant both RSUs and stock options to employees as a normal practice. This continues to be the Committee's sentiment; no options have been granted since 2002.

RSU grants have to date functioned primarily as retention incentives. The size of any grant to any single manager has typically been determined primarily on the basis of salary and grade level, years of service and internal equity. Consistent with the objective of executive retention, in granting awards the Committee has typically considered the manager's value to the Company, and the extent to which the number and remaining term of stock options and RSUs already granted are a sufficient retention incentive given the specific situation of such manager.

Since the adoption of the 2005 Incentive Plan, members of the senior management team generally had not received RSUs. However, in early 2008 the Committee determined that it was desirable to implement a special executive retention incentive to the NEOs and other key members of the senior management team, in order to ensure their retention as the Company implemented certain near-term (i.e., three to five years) strategic initiatives. Because the objective of the Committee was retention and the Committee already had a performance-based plan in place, it chose to implement this retention incentive through the use of RSUs. This retention incentive was a one-time award of time-based RSUs, which would temporarily increase the compensation of the key members of the senior management team for a period of three to five years. The vesting schedule was specifically designed to incent the award recipients to remain with the Company through the near-term. Thus, in early 2008, Mr. Morone was awarded 100,000 RSUs, Mr. Nahl was awarded 32,000 units, and Messrs. Halftermeyer, Madden and Joyce were each awarded 27,000 units. Each award vests 25% in March 2011; 25% in September 2011; 25% in March 2012; and 25% in September 2012, provided the recipient has not voluntarily left the Company at the time of vesting. In the case of Mr. Nahl, who was already of retirement age at the time of the grant, his award would be forfeited if he voluntarily retired before December 31, 2010.

#### Other Plans and Programs

In addition to these four principal elements of compensation, the Company maintains a tax-qualified 401(k) defined contribution plan in which all U.S. employees are generally eligible to participate. Under the 401(k) plan, a participant is entitled to contribute up to 10% of his or her pre-tax income and up to 15% after tax; the Company will match (in shares of the Company's Class A Common Stock) contributions made by the employee under the Plan, up to a maximum of 5% of the employee's pre-tax income. The Company also maintains a profit-sharing plan for all salaried U.S. employees. Under the profit-sharing plan, which was adopted to partially offset reductions in benefits under the Company's tax-qualified U.S. defined benefit (i.e., pension) plan, the employees can receive an amount generally determined using the same formula used to determine annual incentive bonuses for top-management executives employed in the U.S. The actual amount is determined by the Committee in its sole discretion, and typically amounts to between 1% and 2.5% of each participant's annual salary. Profit-sharing payments are generally made in the form of Class A Common Stock to the accounts of participants in the 401(k) plan.

The Company maintains a tax-qualified defined benefit plan (i.e., a pension plan) in which all salaried and hourly U.S. employees (including any NEOs who are U.S. employees) who began their employment before October 1, 1998 participate. The Company also maintains a related supplemental executive retirement plan. NEOs who are U.S. employees and who were so employed before such date accrue retirement benefits under these plans in accordance with its terms. Effective February 28, 2009 the pension plan and supplemental executive retirement plan were both amended so that no additional benefits may be accrued by any plan participant after that date. This will effectively freeze the future benefits of any participant based on their years of service and highest earned salaries prior to February 28, 2009.

Finally, employees located outside of the United States may enjoy benefits under local government-mandated retirement or pension plans, as well as supplementary pension or retirement plans sponsored by a local affiliate of the Company. Mr. Halftermeyer is the only NEO employed outside of the United States. As a French citizen who serves as an employee of a Swiss subsidiary of the Company while on an international assignment, he accrues benefits under both a private pension plan maintained by the Swiss subsidiary as a requirement under Swiss law, and as an expatriate under a French government-sponsored pension scheme. The Company pays both the employer and employee contributions to the French government-sponsored pension scheme in order to maintain Mr. Halftermeyer's participation during his expatriation. The amounts paid by the Company toward both pension plans during 2008 are reported in the Summary Compensation Table on page 22, and the present value of the benefits accumulated under the Swiss private pension plan are reported in the PENSION BENEFITS table on page 33.

The amounts to which executives are entitled under these plans are dictated by the terms of the plans themselves. These are tax-qualified, nondiscriminatory plans, which apply equally to all eligible employees of the Company. The Committee is made aware of the accrued value of these entitlements when making determinations regarding executive compensation (including the NEOs), but an executive's benefits under these plans have generally had no direct bearing on its determinations. The Committee believes that the accumulation of wealth under these plans should have no impact on its objective of compensating individuals based upon their individual importance to the Company in achieving strategic objectives.

#### **Timing of Awards and Grants**

Annual incentive bonuses are determined by the Committee during its first meeting following the most recently completed fiscal year, assuming that all relevant data is available. This meeting typically occurs in February. Salary increases are also approved at this time. This is also the time when a special Performance Committee of the Board (intended to ensure the deductibility of these awards under Section 162(m) of the Internal Revenue Code) approves new grants of Performance Awards under the 2005 Incentive Plan. RSU grants are generally made annually at the Committee's fourth-quarter meeting, typically held in November. Interim RSU grants have been awarded to specific individuals at other times during the year or at the time of a new hiring or promotion. That was the case with the RSUs granted under the special executive retention incentive (see page 17); those were awarded in February 2008.

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#### **The Effect of Prior or Accumulated Compensation**

The Company does not believe that the compensation paid to its executives, including the NEOs, or any individual element of that compensation, is lavish or extraordinary. At the end of 2005, 2006, and 2007, the Committee reviewed the tally sheets for each member of the senior management team. The Committee considered this information before approving new Performance Awards, salary increases, or final annual cash incentive bonuses for the prior year. The Committee views realizable future compensation as having been earned by the employee on the basis of previous employment and performance, and provided during the term of such employee's employment. As a result, such realizable future compensation has generally had little, if any, bearing on the amount or timing of new compensation approved or awarded.

#### **The Impact of Accounting or Tax Considerations**

Although accounting or tax treatments typically have had little direct impact on the compensation decisions of the Committee, if given the choice between two comparable forms of compensation, the Committee has in the past favored the form with the lower tax cost (to the employee and/or the Company), more favorable accounting treatment, or more favorable impact on the Company's borrowing cost pursuant to its primary revolving credit facility. For instance, in awarding long-term incentives in the form of Performance Awards, as well as the manner in which such awards are approved, the Committee has acted to ensure the preservation of the deductibility of the expenses associated with this form of compensation under Section 162(m) of the Internal Revenue Code.

#### **Equity Ownership Requirements or Guidelines**

Prior to 2008 the Company had no equity ownership requirements or guidelines. However, in early 2008 the Company's Board of Directors adopted stock ownership guidelines for the Company's CEO and Directors. Those guidelines provide that the CEO is expected to own and hold shares of the Company's Common Stock (Class A or Class B) equal in value to three (3) times current base salary. There is no deadline by which such target should be attained, but at any time that the value of the CEO's holdings is less than the applicable target, he or she will be expected to retain, in addition to all shares already owned, (1) all shares acquired upon the exercise of any stock options (net of shares used, if any, to satisfy the exercise price, taxes and commissions), and (2) all shares received upon a distribution of shares pursuant to the terms of any performance award.

As for other executive officers, the Committee believes that adoption of share ownership guidelines is unwarranted. The Committee acknowledges that the adoption of such requirements is sometimes perceived as creating greater alignment of executive and shareholder interests, but believes that substantial alignment already exists. A Company executive officer, with a significant portion of his or her net worth in the form of unexercised stock options, unvested RSUs and/or undistributed Performance Awards (all of which are denominated in shares), and Company common stock contributions to his or her 401(k) account is likely to be more exposed to a decline in stock price than the institutional shareholder with even the biggest holdings. In addition, as described above, one-half of the annual incentive bonus earned for performance in 2008 and 2009 will also be paid in common stock, rather than cash. Therefore, the personal financial well-being of each of the Company's executive officers is already acutely dependent on the continued financial well-being of the Company.

#### **Benchmarking and Use of Consultant**

The Committee's compensation consultant, Watson Wyatt, provides benchmarking and comparative compensation analysis. Its findings and recommendations form part of the input used in the ongoing design of the executive compensation of the Company. Watson Wyatt normally carries out such comparisons annually in the case of the Company's CEO, and periodically with respect to all members of the senior management team. The last comparison completed with respect to the other members of the senior management team was in early 2008 in connection with annual compensation adjustments and the adoption of a special executive retention incentive described above. No such comparisons were completed in 2009 for either the CEO or any other member of the senior management team. In late 2008 the Committee had already determined that it would forego 2009 merit pay increases for all salaried employees, including the senior management team.

For 2008 specifically, Watson Wyatt reported that the base salaries of the Company's NEOs were generally in line with median competitive market practice, noting only that Mr. Joyce's base salary was below the 25<sup>th</sup> percentile. Watson Wyatt further opined that the annual incentive targets of the Company's Group Vice Presidents were below the market median, resulting in overall annual cash compensation being below the 25<sup>th</sup> percentile. Watson Wyatt recommended increasing Mr. Joyce's base salary and increasing the target annual incentives (as a percentage of base salary) for all of the Group Vice Presidents. The Committee's response to these recommendations was to increase Mr. Joyce's base salary 31.2% and to increase the Group Vice Presidents' annual incentive target to 55% of base salary, up from 38%.

In their various reports prior to 2007, Watson Wyatt benchmarked individual compensation against the Company's proxy peer group (i.e., the companies in the Dow Jones U.S. Paper Index, in each case as described in the stock performance chart set forth in the Company's proxy statement or Form 10-K for the relevant fiscal year, to the extent such data was available). Beginning in 2007, Watson Wyatt benchmarked individual compensation against a peer group of 15 publicly traded U.S. companies (identified below) in the same or related industries with comparable revenues, employees, and international operations. In addition, where available and appropriate, Watson Wyatt has been asked to benchmark compensation for specific executives against data for executives at other companies in charge of similar business units or operations of comparable revenues. No such request was made in 2008 or 2009 with respect to any of the NEOs in this proxy statement.

The peer group of comparable publicly traded U.S. companies consisted of the following:

Aptargroup, Inc.	Actuant Corp.	Barnes Group, Inc.
Buckeye Technology	Chesapeake Corp.	Clarcor, Inc.
Crane Co.	IDEX Corp.	Nordson Corp.
Enpro Industries, Inc.	Pall Corp.	Paxar Corp.
Schweitzer-Mauduit International, Inc.	Watts Water Technologies, Inc.	Xerium Technologies, Inc.

Watson Wyatt provided similar analytical services for the Committee in connection with its consideration and adoption of the special executive retention incentive implemented in the first quarter of 2008.

Representatives of Watson Wyatt are encouraged by the Committee Chairman to communicate directly with members of management as needed, particularly the Company's CEO and Senior Vice President Human Resources. Nevertheless, Watson Wyatt was retained by, instructed by, served for and reported to the Committee, and its main point of contact throughout 2008 remained the Chairman of the Committee. Notwithstanding the use of Watson Wyatt, the Committee is ultimately responsible for all compensation matters.

Except for the services for which it is retained by the Committee, Watson Wyatt provides no other services to the Company.

#### **The Role of Executive Officers in the Compensation Process**

The Committee's Charter expressly indicates that input from management is both expected and in some instances required in connection with the Committee's exercise of its responsibilities. Consistent with this, Company management does in fact make recommendations to the Committee from time to time regarding modifications to benefit plans, as well as adoption of new benefit plans. In addition, although the Committee has traditionally been responsible for reviewing and approving salary ranges for senior management, and making any necessary changes in such ranges or in the Company's salary structure, such ranges and changes thereto are typically proposed by the Company's Senior Vice President Human Resources, working with the CEO.

In practice, certain members of the senior management team (specifically, the CEO, CFO, and Senior Vice President Human Resources) make initial proposals to the Committee regarding the following annual compensation events: (1) the amount of the total budget for management salaries for the next fiscal year; (2) specific salary increases for each of the senior executive officers, excluding the CEO; (3) proposed aggregate

annual management incentive bonus payments, as well as specific bonus payments proposed for each of the senior executive officers, excluding the CEO; (4) proposed annual management cash incentive bonus targets; (5) proposed RSU awards for each award recipient; and (6) proposed grants of performance-based incentive awards to the senior

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management team members, excluding the CEO. In addition, the senior management team may, under some circumstances, recommend discrete, special incentives intended to motivate performance or enhance retention in response to market conditions or competitive demands, or relative to the implementation of specific strategic initiatives. This was the case with the special executive retention incentive described above, which was implemented by the Company in the first quarter of 2008 (see page 17).

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## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth information concerning the compensation of the Named Executive Officers during 2008.

Name and Principal Position	Year	Salary	Bonus <sup>1</sup>	Stock Awards <sup>2</sup> (\$)	Option Awards <sup>3</sup> (\$)	Nonequity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>4</sup> (\$)	All Other Compensation (\$)	Total (\$)
Joseph G. Morone, President and Chief Executive Officer	2006	\$645,150	\$ 69,111 <sup>5</sup>	\$ 567,268		\$ 139,150 <sup>6</sup>	\$ 0	\$ 9,610 <sup>7</sup>	\$ 1,430,289
	2007	684,825	108,103 <sup>5</sup>	1,094,075		739,675 <sup>8</sup>	0	10,856 <sup>9</sup>	2,637,534
	2008	711,000	0	744,645		812,675 <sup>10</sup>	0	24,175 <sup>11</sup>	2,292,495
Michael C. Nahl, Executive Vice President and Chief Financial Officer	2006	456,750	23,037 <sup>5</sup>	302,070	169,625	86,570 <sup>12</sup>	255,000	22,960 <sup>13</sup>	\$ 1,316,012
	2007	479,325	48,952 <sup>5</sup>	456,998	169,625	184,775 <sup>14</sup>	188,000	30,707 <sup>15</sup>	1,558,382
	2008	497,850	0	188,578	169,200	202,875 <sup>16</sup>	223,000	23,543 <sup>17</sup>	1,305,046
Daniel A. Halftermeyer, Group Vice President	2006	323,272 <sup>18</sup>	14,810 <sup>5</sup>	188,521	82,000	49,676 <sup>19</sup>	0	308,043 <sup>18, 20</sup>	966,322
	2007	355,174 <sup>21</sup>	0	220,167	36,332	90,200 <sup>22</sup>	0	253,229 <sup>21, 23</sup>	955,102
	2008	425,409 <sup>24</sup>	0	153,453	0	180,000 <sup>25</sup>	8,554	310,467 <sup>24, 26</sup>	1,077,883
David B. Madden, Group Vice President	2006	283,449	11,519 <sup>5</sup>	76,234	30,825	51,876 <sup>27</sup>	25,000	54,048 <sup>28</sup>	532,951
	2007	327,038	0	201,911	13,625	93,575 <sup>29</sup>	39,000	131,329 <sup>30, 31</sup>	806,478
	2008	339,500	0	155,137	0	177,575 <sup>32</sup>	93,000	116,364 <sup>33, 34</sup>	881,576

Name and Principal Position	Year	Salary	Bonus <sup>1</sup>	Stock Awards <sup>2</sup> (\$)	Option Awards <sup>3</sup> (\$)	Nonequity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>4</sup> (\$)	All Other Compensation (\$)	Total (\$)
Michael J. Joyce, Group Vice President	2006	177,000	0	16,335	30,825	28,070 <sup>35</sup>	14,000	9,433 <sup>36</sup>	275,663
	2007	261,000	0	174,496	13,625	73,360 <sup>37</sup>	25,000	13,050 <sup>38</sup>	560,531
	2008	333,463	0	158,814	0	178,975 <sup>39</sup>	57,000	13,503 <sup>40</sup>	741,755

- (1) The figure provided for each year represents the additional discretionary bonus awarded during that year, for performance during that year, but which was actually paid in the subsequent year.
- (2) The figure provided for each year represents the compensation expense, in dollars, recognized in the Company's financial statements for such year, of (a) all outstanding Performance Awards made under the 2005 Incentive Plan grants, and (b) all outstanding awards under the Company's RSU Plan. For example, the figure provided for 2008 reflects the compensation expense, in dollars, recognized in the Company's 2008 financial statements of (a) grants during 2008, 2007 and 2006 of performance-based incentive awards under the 2005 Incentive Plan and (b) all outstanding and still unvested awards previously made under the RSU Plan. In all cases, the total presented is the aggregate of the amounts recognized by the Company as compensation expense for each such award in accordance with FAS 123. Reference is made to Note 17 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for a discussion of the assumptions made in such valuations. Expenses associated with such awards are generally amortized over the award vesting period; the expense reported, therefore, does not reflect the value actually realized by the NEO in such period.
- (3) The figure provided for each year represents the compensation expense, in dollars, recognized in the Company's financial statements for such year, of option awards granted in 2002 and prior years. Thus, the figure provided for 2008 represents the compensation expense, in dollars, recognized in the Company's 2008 financial

statements of option awards granted in 2002 and prior years. In all cases the amount presented is the aggregate of the amounts recognized by the Company as compensation expense for each such award in accordance with FAS 123. Reference is made to Note 17 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

- (4) The figure provided for each year represents the aggregate change in the actuarial present value of each NEO's (except Mr. Halftermeyer's) accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's financial statements in the immediate prior year to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's financial statements in that year. In the case of the figure provided for 2008 only, it shows an increase over a fifteen month period as it represents the aggregate change in said actuarial present value from the pension plan measurement date used for financial statement reporting purposes with respect to the Company's 2007 financial statements (September 30, 2007) to the pension plan measurement date used for financial statement reporting purposes with respect to the Company's 2008 financial statements (December 31, 2008). The figure also reflects a change in actuarial assumptions. Reference is made to Note 4 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for a discussion of these assumptions. The figure provided for Mr. Halftermeyer represents the change in present value of the private pension purchased for Mr. Halftermeyer through a Swiss insurance company in accordance with Swiss law (see footnote 4 to the PENSION BENEFITS table on page 33). There were no above-market or preferential earnings during 2006, 2007 or 2008 for any of the NEOs under any deferred compensation plans.

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- (5) Additional discretionary annual cash bonus under the Company's annual cash incentive bonus program.
- (6) Includes (a) profit-sharing of \$2,200 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$136,950) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2006 and paid during 2007.
- (7) Includes (a) Company-matching contributions of \$6,600 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, and (b) a premium of \$3,010 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.
- (8) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$736,300) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2007 and paid during 2008.
- (9) Includes (a) Company-matching contributions of \$6,600 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, and (b) a premium of \$4,256 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.
- (10) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$809,300) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2008 and paid during 2009.
- (11) Includes (a) Company-matching contributions of \$21,240 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, and (b) a premium of \$2,935 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.
- (12) Includes (a) profit-sharing of \$2,200 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$84,370) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2006 and paid during 2007.
- (13) Includes (a) Company-matching contributions of \$12,896 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$2,107 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer, and (c) perquisites of \$7,957, valued on the basis of the aggregate incremental cost to the Company, consisting solely of country club dues.

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- (14) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$181,400) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2007 and paid during 2008.
- (15) Includes (a) Company-matching contributions of \$14,267 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$8,910 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer, and (c) perquisites of \$7,530, valued on the basis of the aggregate incremental cost to the Company, consisting solely of country club dues.
- (16) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$199,500) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2008 and paid during 2009.
- (17) Includes (a) Company-matching contributions of \$12,642 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$2,050 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer, and (c) perquisites of \$8,851, valued on the basis of the aggregate incremental cost to the Company, consisting solely of country club dues.
- (18) Represents either the amount paid in euros, translated into U.S. dollars at the rate of 1.2557 dollars per euro, or the amount paid in Swiss Francs, translated into U.S. dollars at the rate of 0.7975 per Swiss franc, which are the rates used by the Company in its 2006 Consolidated Statements of Income and Retained Earnings.

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- (19) Represents the portion of his annual cash incentive bonus under the Company's annual cash incentive bonus program that is formula-based, which was earned during 2006 and paid during 2007.
- (20) Includes (a) relocation expenses of \$58,404, (b) a premium of \$11,180 paid by the Company with respect to maintenance of private Swiss health insurance coverage, (c) contributions to maintain the NEO in French social programs, including state pension schemes, during his expatriation of \$85,575 (of which approximately \$29,409 was the officer's employee contribution paid by the Company), (d) expenses related to the NEO's international assignment of \$150,194, consisting of housing (\$62,877), tuition (\$62,914) and tax adjustments (\$24,403), and (e) perquisites of \$2,690, valued on the basis of the aggregate incremental cost to the Company, consisting of country club dues.
- (21) Represents either the amount paid in euros, translated into U.S. dollars at the rate of 1.3722 dollars per euro, or the amount paid in Swiss francs, translated into U.S. dollars at the rate of .8340 dollars per Swiss franc, which are the rates used by the Company in its 2007 Consolidated Statements of Income and Retained Earnings.
- (22) Represents the portion of his annual cash incentive bonus under the Company's annual cash incentive bonus program that is formula-based, which was earned during 2007 and paid during 2008.
- (23) Includes (a) a premium of \$11,992 paid by the Company with respect to maintenance of private Swiss health insurance coverage, (b) contributions to maintain the NEO in French social programs, including state pension schemes, during his expatriation of \$97,131, (c) expenses related to the NEO's international assignment of \$141,296, consisting of housing (\$65,052), tuition (\$44,368) and tax adjustments (\$31,876), and (d) perquisites of \$2,810, valued on the basis of the aggregate incremental cost to the Company, consisting of country club dues.
- (24) Represents either the amount paid in euros, translated into U.S. dollars at the rate of 1.4758 dollars per euro, or the amount paid in Swiss francs, translated into U.S. dollars at the rate of .9305 dollars per Swiss franc, which are the rates used by the Company in its 2008 Consolidated Statements of Income and Retained Earnings.
- (25) Represents the portion of his annual cash incentive bonus under the Company's annual cash incentive bonus program that is formula-based, which was earned during 2008 and paid during 2009.
- (26) Includes (a) a premium of \$14,146 paid by the Company with respect to maintenance of private Swiss health insurance coverage, (b) contributions to maintain the NEO in French social programs, including state pension schemes, during his expatriation of \$113,856, (of which approximately \$36,449 was the officer's employee contribution paid by the Company), (c) expenses related to the NEO's international assignment of \$164,648,

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consisting of housing (\$72,579), tuition (\$52,923) and tax adjustments (\$39,146), and (d) perquisites of \$17,817, valued on the basis of the aggregate incremental cost to the Company, consisting of country club dues (\$3,316) and car lease payments (\$14,501).

- (27) Includes (a) profit-sharing of \$2,200 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$49,676) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2006 and paid during 2007.
- (28) Includes (a) Company-matching contributions of \$9,809 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$1,530 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer and (c) expenses related to the NEO's international assignment of \$42,709 consisting of tax equalization (\$856), currency fluctuation adjustments (\$13,523) and an international premium equal to 10% of his base salary (\$28,329).
- (29) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$90,200) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2007 and paid during 2008.
- (30) Includes (a) Company-matching contributions of \$11,116 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$2,032 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer, and (c) expenses of \$118,181 related to the NEO's international assignment, consisting of currency fluctuation adjustments (\$6,010) and an international premium equal to 10% of his base salary (\$32,685), housing (\$74,465) and family travel (\$5,021). In consideration of the increased travel needs of the officer and his family due to the international assignment, the Company reimburses the officer for any reasonable travel and travel-related costs incurred as a consequence of the international assignment.

- (31) Includes amounts paid in yuan renminbi, (RMB), translated into U.S. dollars at the rate of .1316 dollars per RMB, which is the rate used by the Company in its 2007 Consolidated Statement of Income and Retained Earnings.
- (32) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$174,200) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2008 and paid during 2009.
- (33) Includes (a) Company-matching contributions of \$11,838 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$3,863 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer, and (c) expenses of \$100,663 related to the NEO's international assignment, consisting of an international premium equal to 10% of his base salary while on assignment (\$22,536), housing (\$55,875) and tax equalization payments (\$22,252).
- (34) Includes amounts paid in yuan renminbi, (RMB), translated into U.S. dollars at the rate of .1441 dollars per RMB, which is the rate used by the Company in its 2008 Consolidated Statement of Income and Retained Earnings.
- (35) Includes (a) profit-sharing of \$1,770 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$26,300) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2006 and paid during 2007.
- (36) Includes (a) Company-matching contributions of \$8,850 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$583 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.
- (37) Includes (a) profit-sharing of \$2,160 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$71,200) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2007 and paid during 2008.

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- (38) Includes (a) Company-matching contributions of \$12,198 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$852 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.
- (39) Includes (a) profit-sharing of \$3,375 under the Company's U.S. profit-sharing plan, and (b) the portion of his annual cash incentive bonus (\$175,600) under the Company's annual cash incentive bonus program that is formula-based, in each case earned during 2008 and paid during 2009.
- (40) Includes (a) Company-matching contributions of \$11,965 to the officer's account under the Company's ProsperityPlus 401(k) defined contribution plan, (b) a premium of \$1,538 paid by the Company with respect to life insurance for the benefit of beneficiaries designated by the officer.

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#### **Employment Contracts    Named Executive Officers**

Joseph G. Morone. The Company entered into an Employment Agreement with Joseph G. Morone on May 12, 2005. The Agreement provided that Dr. Morone would be hired initially as President, after which he would become President and CEO on January 1, 2006. Employment may be terminated by Dr. Morone or the Company at any time. The Agreement provided for an initial base salary at the rate of \$600,000 per year. However, Dr. Morone's salary has been increased, effective as of April 1, in each year from 2006 through 2008. His current base salary is \$717,000. The Agreement also provides that Dr. Morone is eligible to participate in any annual cash incentive bonus program. The Agreement also provided for the award of 30,000 stock units pursuant to the Company's RSU Plan. The Agreement entitles Dr. Morone to four weeks vacation with pay, or such greater amount as the Company's vacation policy applicable to executive officers provides. The Agreement otherwise entitles Dr. Morone to participate in the Company's employee benefit plans, policies, and arrangements applicable to executive officers generally (including, without limitation, relocation, 401(k), health care, vision, life insurance, and disability); in each case, as the same may exist from

time to time, as well as such perquisites as may from time to time be made generally available to senior executives of the Company, including a subsidy for country club membership and financial planning assistance from a third-party consultant. The Agreement includes a severance provision that is more fully described below.

David B. Madden. The Company entered into an Employment Agreement with David B. Madden on January 20, 2009 in connection with the resignation of his position as an officer of the Company and the change of his responsibilities from Group Vice President – PMC Asia and Pacific to Vice President – Special Projects. The Agreement provided that Mr. Madden will remain employed with the Company through April 2011, at which time his employment will end. Employment may be terminated by Mr. Madden or the Company at any time prior to April 2011. The Agreement provides for an annual base salary of \$146,742 for the remainder of his employment with the Company. The Agreement also provides that Mr. Madden shall be eligible for an annual cash incentive bonus for 2008 (payable in 2009), but not thereafter. The Agreement also entitles Mr. Madden to participate in the Company’s employee benefit plans, policies, and arrangements applicable to employees generally (including, without limitation, 401(k), health care, vision, life insurance, and disability); in each case, as the same may exist from time to time. The Agreement includes a severance provision that is more fully described below.

There are no other employment, severance, or similar agreements with any of the NEOs.

GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Nonequity Incentive Plan Awards <sup>1</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>2</sup>			All Other Stock Awards: Number of Shares or Units <sup>3</sup>	All Other Option Awards: Number of Underlying Options	Exercise Price of Base Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Thresh-old (\$)	Target (\$)	Maxi-mum (\$)	Thresh-old (#)	Target (#)	Maxi-mum (#)				
Joseph G. Morone	2/15/08	448,125	896,250	1,792,500	21,000	42,000	84,000	100,000			5,782,47
Michael C. Nahl	2/15/08	110,462	220,924	441,848	7,800	14,000	28,000	32,000			1,803,78
David B. Madden	2/15/08	94,160	188,320	376,640	4,500	9,000	18,000	27,000			1,427,08
Daniel A. Halftermeyer	2/15/08	94,160	188,320	376,640	4,500	9,000	18,000	27,000			1,427,08
Michael J. Joyce	2/15/08	94,160	188,320	376,640	4,500	9,000	18,000	27,000			1,427,08

(1) Awards represent the target annual incentive bonus established for each officer in early 2008. Each award entitled the NEO to receive a payment equal to from 50% (for attaining performance at the threshold level) to 200% (for attaining performance at the maximum level) of such target amount, based on the extent to which he attained certain performance goals during 2008. The performance condition at each of the threshold, target, and maximum levels for the awards reported above for the NEOs consisted of the Company attaining a specified level of performance measurement metrics described above (see page 16) during 2008. For Adjusted Operating Income, the threshold, target and maximum levels were initially set at \$55.6 million, \$109.1 million and \$194.2 million, respectively. For Adjusted

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Net Sales from the Applied Technologies and Albany Door System business sections, the threshold, target and maximum levels were set at \$284.4 million, \$406.5 million and \$585.3 million. (These levels were subsequently reduced to reflect the sale of the Company's filtration systems business in June 2008.) And for the 2008 Adjusted Global PMC Operating Income performance metric, the threshold, target and maximum levels were established as \$63.8 million, \$105.2 million and \$159.3 million, respectively. Late in 2008, the Committee determined that the 2008 and 2009 annual incentive bonus, to the extent earned, would actually be paid one-half in cash and one-half in shares of the Company's Class A Common Stock (see page 16). Nevertheless, the Company has chosen to report this Award as a non-equity incentive as that was the intent when the award was made in early 2008.

- (2) Awards, made under the 2005 Incentive Plan, consisted of a target number of shares of Class A Common Stock. Each award entitled the NEO to be credited with a number of shares equal to from 50% to 200% of such target amount, based on the extent to which he attained certain performance goals during 2008. The award agreements relating to the foregoing awards provide that a recipient whose employment terminated for any reason during 2008 would not be entitled to any portion of the foregoing awards. The performance condition at each of the threshold, target, and maximum levels for the awards reported above for the NEOs consisted of the same performance metrics and goals as were established for the annual incentive bonus (see footnote 1, above). After 2008, the extent to which performance goals were attained was determined, and the actual number of shares credited to the bonus account of each NEO is set forth in this proxy statement in the table titled "OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END" on page 30. The value of cash payments is determined on the basis of the average price of the Class A Common Stock during a calculation period preceding the

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payment date. The share balance in a bonus account is credited with dividends whenever dividends are paid on the Company's common stock, by increasing the share balance by a number of shares equal in value to the cash dividends that would have been paid on an equivalent number of shares.

- (3) Awards made under the RSU Plan in connection with a special executive retention incentive implemented in February 2008. Upon vesting, each RSU is paid in full in cash, in an amount equal to the average closing price of one share of the Company's Class A Common Stock during a specified period preceding the vesting/payment date. In lieu of cash dividends, the holder of the RSUs is credited with additional RSUs equal to the number of shares of Class A Common Stock having the same value on the dividend payment date as the aggregate dividends that would be payable on shares of Class A Common Stock equal in number to the RSUs held by such holder.
- (4) Computed in accordance with FAS 123R by adding (1) the target annual incentive bonus, (2) the product of the target number of shares awarded under the 2005 Incentive Plan multiplied by the closing market price on the grant date, and (3) the product of the number of RSUs awarded under the RSU Plan multiplied by the closing market price on the grant date. Both awards were granted on February 15, 2008 when the closing market price was \$34.41.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value <sup>1</sup> of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That	Equity Incentive Plan Awards: Market Value of Unearned Payout or Shares, Units or	

Option Awards

Stock Awards

					Have Not Vested (#)	Other Rights That Have Not Vested (\$)
Joseph G. Morone					37,548 <sup>2</sup>	482,116
					23,750 <sup>3</sup>	304,950
					3,938 <sup>4</sup>	50,564
					12,494 <sup>5,6</sup>	160,423
					101,288 <sup>7,8</sup>	1,300,538
Michael C. Nahl					12,516 <sup>2</sup>	160,705
					7,917 <sup>3</sup>	101,654
					1,313 <sup>4</sup>	16,859
					1,574 <sup>5,8</sup>	20,210
					32,412 <sup>7,8</sup>	416,170
	25,000	0	15.0000	2/9/2013		
	25,000	0	16.2500	5/28/2013		
	25,000	0	18.7500	5/11/2014		
	25,000	0	22.2500	5/18/2015		
	25,000	0	22.2500	5/14/2016		
25,000	0	19.7500	4/15/2017			
0	250,000 <sup>10</sup>	25.5625	11/5/2017			
David B. Madden					8,325 <sup>2</sup>	106,893
					4,925 <sup>3</sup>	63,237
					656 <sup>4,7</sup>	8,423
					167 <sup>5,9</sup>	2,144
					516 <sup>5,11</sup>	6,625
					27,348 <sup>7,8</sup>	351,148
	1,000	0	19.3750	11/4/2018		
	1,500	0	15.6875	11/9/2019		
	1,200	0	10.5625	11/15/2020		
	1,500	0	20.4500	11/6/2021		
1,500	0	20.6300	11/7/2022			
Daniel A. Halftermeyer					8,325 <sup>2</sup>	106,893
					4,925 <sup>3</sup>	63,237
					844 <sup>4</sup>	10,837
					336 <sup>5,9</sup>	4,314
					27,348 <sup>7,8</sup>	351,148

Option Awards

Stock Awards

Name	Number of Securities Underlying Unexercised Awards:	Number of Securities of Incentive Plan Awards:	Equity Incentive Plan Awards:	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That	Market Value <sup>1</sup> of Shares or Units of	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
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Option Awards					Stock Awards		
Options (#) Exercisable	Unexercisable (#)	Number of Securities underlying Unexercised Options (#)	Have Not Vested (#)	Stock That Have Not Vested (\$)	Number of Shares, Units or Other Rights That Have Not Vested (#)	Market or Unearned Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
1,000	0	18.6250	5/14/2012				
1,000	0	16.2500	5/28/2013				
1,000	0	18.7500	5/11/2014				
1,500	0	22.2500	5/18/2015				
2,000	0	22.2500	5/14/2016				
2,000	0	19.7500	4/15/2017				
2,500	0	19.3750	11/4/2018				
4,000	0	15.6875	11/9/2019				
2,800	0	10.5625	11/15/2020				
4,000	0	20.4500	11/6/2021				
4,000	0	20.6300	11/7/2022				
Michael J. Joyce				8,325 <sup>2</sup>	106,893		
				4,925 <sup>3</sup>	63,237		
				167 <sup>5, 9</sup>	2,144		
				516 <sup>5, 11</sup>	6,625		
				771 <sup>5, 12</sup>	9,900		
				27,348 <sup>7, 8</sup>	351,148		

- (1) Based on closing market price on December 31, 2008, of \$12.84.
- (2) Represents shares earned and credited to the NEO's bonus account with respect to a performance-based incentive award granted in 2008 and based on 2008 performance. (Although such awards are not earned until January 1, 2009, the Company has determined to treat them as earned during 2008 and therefore outstanding at 2008 year-end solely for purposes of this disclosure.) These are the same awards reported in the GRANTS OF PLAN-BASED AWARDS table on page 28. As of January 1, 2009, 25% of the balance reported became vested, and is scheduled to be distributed, in cash, on or about March 1, 2009; 50% of the balance reported will vest on January 1, 2010, and is scheduled to be distributed, half in cash and half in stock, on or about March 1, 2010; the remaining 25% will vest on January 1, 2011, and is scheduled to be distributed, half in cash and half in stock, on or about March 1, 2011.
- (3) Represents shares earned and credited to the NEO's bonus account with respect to a performance-based incentive award granted in 2007 and based on 2007 performance. As of January 1, 2009, 66-2/3% of the balance reported became vested, and was distributed, half in cash and half in stock, in March 2009; the remainder will vest on January 1, 2010, and is scheduled to be distributed, half in cash and half in stock, on or about March 1, 2010.
- (4) Represents shares earned and credited to the NEO's bonus account with respect to a performance-based incentive award granted in 2006 and based on 2006 performance. The balance reported became vested on January 1, 2009 and was distributed, half in cash and half in stock, in March 2009.
- (5) RSU granted under the RSU Plan.
- (6) One-half of the balance reported will vest and be payable on August 1 in each of 2009 and 2010.

- (7) RSUs granted under the RSU Plan in connection with the special executive retention-incentive adopted in February 2008 (see page 17).
- (8) One-quarter of the balance reported will vest and be payable on each: March 1, 2011; September 1, 2011; March 1, 2012; and September 1, 2012.
- (9) The balance reported will vest and be payable on November 11, 2009.

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- (10) This option is not exercisable unless the market price of Class A Common Stock reaches \$48 per share while Mr. Nahl is employed by the Company or a subsidiary. In the event of termination of Mr. Nahl's employment before the target price has been achieved, the option terminates.
- (11) One-half of the balance reported will vest and be payable on November 11, 2009; the remainder will vest and be payable on November 11, 2010.
- (12) One-third of the balance reported will vest and be payable on November 11 in each of 2009, 2010, and 2011.

#### **Description of Equity Awards**

Equity awards referred to in the foregoing table include the following:

Stock Options. (The following summary applies to all options in the foregoing table, except for the unexercised, unexercisable option for 250,000 shares granted to Michael Nahl, the material terms of which are described in a note to the table.) All of the options in the foregoing table were granted prior to 2002 under either the 1988, 1992, or 1998 Stock Option Plans. Each option listed is fully vested and exercisable. The exercise price of each option is the fair market value of the Company's Class A Common Stock on the date of grant.

Restricted Stock Units. RSUs granted under the RSU Plan are, upon vesting, paid in full in cash, in an amount equal to the average closing price of one share of the Company's Class A Common Stock during a specified period preceding the vesting/payment date. No shares of Class A Common Stock are issued or issuable under the RSU Plan. There is no exercise price. In lieu of cash dividends, a holder of RSUs is credited with additional RSUs equal to the number of shares of Class A Common Stock having the same value on the dividend payment date as the aggregate dividends that would be payable on shares of Class A Common Stock equal in number to the RSUs held by such holder. (The crediting of such dividends is reflected in the above table.) RSU awards generally vest as to 20% of the awarded units on each of the first five anniversaries of the date of grant, but only if the holder is then employed by the Company or a subsidiary. However, differing vesting schedules are permitted under the terms of the RSU Plan and have been used in special circumstances; such was the case with the special executive-retention incentive implemented in February 2008. In the event of termination of employment, all unvested RSUs terminate without payment, except that, in the case of voluntary termination after age 62, death, disability, or involuntary termination, one-half of all unvested RSUs automatically vest and are paid at termination.

Performance-based Incentive Awards. Awards in the foregoing table described as earned pursuant to performance-based incentive awards were granted under the Company's 2005 Incentive Plan. An award recipient who voluntarily terminates employment prior to the payout of the full amount of his or her bonus account is not entitled to any payments after such termination, except that a recipient who voluntarily terminates employment after January 1 of any year but prior to the payment of an amount due to be paid in that year will be entitled to such amount. A recipient whose employment is terminated by the Company without cause during a year, or who voluntarily terminates employment in a year after attaining age 62, is entitled to 50% of any portion of his or her bonus account not already paid, except that any such recipient whose employment so terminates after January 1 of a year but prior to the payment of an amount due to be paid in that year is entitled to the full amount due in that year plus 50% of the remainder, if any. Any recipient whose employment is terminated by Albany for cause shall forfeit any payments not yet paid, unless the Committee or, if required, a Performance Committee of the Board determines otherwise in its absolute discretion. Distributions are made in cash, or in a combination of cash and stock, as described in the footnotes to the foregoing table. The value of cash payments is determined on the basis of the average price of the Class A Common Stock during a calculation period preceding the distribution date. The share balance in a bonus account is credited with dividends whenever dividends are paid on the Company's common stock, by increasing the share balance by a number of shares equal in value to the cash dividends that would have been paid on an equivalent number of shares.

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## OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards <sup>1</sup>		Stock Awards <sup>2</sup>	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Joseph G. Morone			6,203	179,328	22,865	802,157
Michael C. Nahl			3,161	54,574	10,653	373,935
David B. Madden			597	10,342	2,917	102,238
Daniel A. Halftermeyer			674	11,636	4,318	151,471
Michael J. Joyce			769	13,880	1,620	56,804

- (1) Vesting of time-based RSUs granted pursuant to the Company's RSU Plan. Amounts reported as Value Realized on Vesting were distributed in cash to the NEO during 2008.
- (2) Vesting of performance-based incentive awards granted pursuant to the 2005 Incentive Plan. Amounts reported as Value Realized on Vesting were distributed in cash and stock to the NEO during 2008.

## PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service <sup>1</sup> (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Joseph G. Morone <sup>2</sup>	PensionPlus Supplemental Executive Retirement Plan			

Qualified Supplemental Retirement Benefits

Michael C. Nahl

PensionPlus

27.25

821,000

0

Supplemental Executive Retirement Plan

27.25 931,000<sup>3</sup>

0

Qualified Supplemental Retirement Benefits

\$0

0

David B. Madden

PensionPlus

16.75

182,000

0

Supplemental Executive Retirement Plan

16.75 155,000<sup>3</sup>

0

Qualified Supplemental Retirement Benefits

16.75 52,000<sup>3</sup>

0

Daniel A. Halftermeyer<sup>4</sup>

12,666

0

32

Michael J. Joyce

PensionPlus

21.08

130,000

0

Supplemental Executive Retirement Plan

21.08 16,000<sup>3</sup>

0

Qualified Supplemental Retirement Benefits

0<sup>3</sup>

0

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- (1) Where noted, credited service is the same as actual service.
- (2) The Company's PensionPlus Plan and Supplemental Executive Retirement Plan were closed to new employees, effective October 1, 1998. Dr. Morone joined the Company on August 1, 2005.
- (3) The values of the pension benefits reported above are the present value of benefits expected to be paid in the future. The actuarial assumptions used to determine these values are the same as are used in the Company's financial statements, except that the assumed retirement age for purposes of this table is the earliest unreduced retirement age as defined in the relevant plan. Present values are determined as of the Company's measurement date for pension purposes (December 31, 2008). (Reference is made to Note 4 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for a discussion of these assumptions.) Each amount assumes that the form of payment will be a single life annuity, except that the QSERP values assume a lump-sum payment.
- (4) As a non-U.S. employee, Mr. Halftermeyer does not participate in U.S. PensionPlus Plan, the Supplemental Executive Retirement Plan or the Qualified Supplemental Retirement Plan. Instead, as a French citizen working for a company affiliate in Switzerland, the Company is required by Swiss law to maintain a private pension for Mr. Halftermeyer's benefit. The private pension is purchased through an insurance company. The Company's Swiss subsidiary is required to make defined premium contributions. The premium paid by the Company in 2008 was CHF 6,572, or \$6,115 using the conversion rate of .9305 U.S. dollars per Swiss franc, which is the rate used by the Company in its 2008 Consolidated Statements of Income and Retained Earnings. The policy was first purchased in 2007. The present value of the accumulated benefit is set forth in the table above. In addition, Mr. Halftermeyer continues to participate in a French state-mandated pension scheme as an expatriate. The Company contributes both the employer's and employee's share of the legally required contribution under this pension scheme. In early 2008, the Company paid 77,149 euros, or \$113,856 using the conversion rate of 1.4758 U.S. dollars per euro, which is the rate used by the Company in its 2008 Consolidated Statements of Income and Retained Earnings. This contribution covered the period from October 2007 through September 2008. Of this amount, \$36,449 was the employee's required contribution which the Company assumed as part of the international assignment.

- (5) Represents the present value of the accumulated benefit as reported by to the Company by the insurance company sponsor. The amount stated is translated into U.S. dollars at the rate of .9369 dollars per Swiss Franc, which was the applicable conversion rate in affect as of December 31, 2008.

**PensionPlus Plan.** The Company's U.S. PensionPlus Plan, applicable to all salaried and most hourly employees in the United States who began employment on or before October 1, 1998, provides generally that an employee who retires at his or her normal retirement age (age 65) will receive a maximum annual pension equal to the sum of : (a) 1% of his or her average annual base compensation for the three most highly compensated consecutive calendar years in his or her last ten years of employment (the High Three Average ) times his or her years of service (up to 30) before April 1, 1994; plus (b) 0.5% of the amount by which his or her High Three Average exceeds a Social Security offset (\$39,752 in 2008, increasing thereafter in proportion to the increase in the Social Security Taxable Wage Base) times his or her years of service (up to 30) before March 31, 1994; plus (c) 1% of his or her High Three Average times years of service (up to 30) between March 31, 1994 and January 1, 1999; plus (d) 0.75% of such High Three average times years of service (up to 30) after December 31, 1998; plus (e) 0.25% of such High Three Average times years of service (in excess of 30). The Plan, however, was amended effective February 28, 2009 to freeze the accrual of any new benefits. As a result, no participant will accrue any additional pension creditable service after that date, and the High Three Average will now be determined in reference to the last ten years of employment prior to February 28, 2009.

Annual base compensation in any year used to determine a participant's High Three Average is the rate of base earnings of such participant as of January 1 of such year. In the case of the NEOs, this means annual salary based on the salary rate in effect on January 1 of such year. It does not include other cash compensation (such as annual cash bonuses) or noncash compensation.

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Section 415 of the Internal Revenue Code places certain limitations on pensions that may be paid under federal income tax qualified plans. Section 401 of the Code also limits the amount of annual compensation that may be used to calculate annual benefits under such plans. The effect of such limits is reflected in the amounts reported as the present value of benefits accumulated under the PensionPlus Plan.

The PensionPlus Plan permits early retirement at or after age 55 with at least ten years of service. Of the NEOs participating in the Plan, only Mr. Nahl is currently eligible for retirement under the PensionPlus Plan, whether it is early or normal retirement. In general, provided that payment of benefits does not commence until the normal retirement age of 65, the pension of a participant retiring early will be calculated in the same manner as described above, taking into account years of service up to February 28, 2009 and such participant's High Three Average prior to that date. A participant eligible for early retirement may also elect to commence benefits on or after his or her early retirement date and prior to age 65 in an amount which is the actuarial equivalent of his or her normal retirement benefit.

**Supplemental Executive Retirement Plan.** The Company's unfunded Supplemental Executive Retirement Plan is intended to replace any PensionPlus benefits (including QSERP benefits described below) that a participant is prevented from receiving by reason of the Section 415 limits on pensions or the Section 401 limits on annual compensation used to calculate PensionPlus benefits. All plan participants affected by such limitations are eligible to receive benefits under the unfunded Supplemental Executive Retirement Plan. In other words, the pension formula described above is used to determine aggregate benefits under both plans – the portion that is not payable under the PensionPlus Plan due to the foregoing limits is payable under the Supplemental Executive Retirement Plan. The allocation is made on the basis of IRS regulations as in effect on the valuation date. The Executive Retirement Plan has also been amended effective February 28, 2009 to freeze the accrual of any new benefits.

**Qualified Supplemental Retirement Benefits.** Certain employees of the Company who were active on June 30, 2002 are entitled to receive additional qualified supplemental retirement ( QSR ) benefits under the PensionPlus Plan. On June 30, 2002, each covered employee was credited with an initial account balance in a specified amount. Each such participant had participated in deferred compensation plans maintained by the Company on or before such time, pursuant to which he or she could defer the receipt of earned cash compensation until retirement or other events. Amounts deferred earned interest at rates approved from time to time by the Committee. In each case, the amount initially credited to such employee's QSR account was equal to an amount of deferred compensation (including interest) to which he or she was entitled but which he or she agreed to renounce. Each QSR account is credited with interest at 8.5% annually until retirement, at which time the QSR account value is payable in the form of an actuarially equivalent single life annuity or, at the election of the participant, in a single lump sum.

#### **Nonqualified Deferred Compensation**

There were no executive or Company contributions, or interest or other earnings, during 2008 under any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified, nor did any NEO receive any withdrawals or distributions during,

or have any account as of the end of, 2008.

### **Potential Payments upon Termination or Change in Control**

Other than the provision found in the RSU Plan, which is applicable to all employees who receive an award of RSUs, the Company has no contract, agreement, plan, or arrangement, whether written or unwritten, that provides for payment to an NEO at, following, or in connection with a change in control of the Company. The provision of the RSU Plan provides that in the event of termination following a change of control, 100% of an award recipient's unvested RSUs shall become immediately payable in full.

### **Contracts**

The Company's employment agreement with Dr. Morone (see page 27) provides that, in the event his employment is terminated for any reason, he will be entitled to any (a) unpaid base salary accrued to the effective date of termination, (b) unpaid but earned and accrued annual cash bonus for the portion of the year in which the termination of employment occurs and for any completed prior year for which the annual cash bonus has not been

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paid, (c) pay for accrued but unused vacation to which he is entitled calculated in accordance with the Company's vacation policy, (d) benefits or compensation required to be provided after termination pursuant to, and in accordance with the terms of, any employee benefit plans, policies or arrangements applicable to him, (e) unreimbursed business expenses incurred prior to termination and required to be reimbursed pursuant to the Company's policy, and (f) any rights to indemnification to which he may be entitled under the Company's Articles of Incorporation or By Laws. In addition, if the termination is by the Company without Cause, he is entitled to receive an amount equal to twice his annual base salary at the time of termination, payable in 24 equal monthly installments. His right to receive these additional severance payments is contingent upon his continuing compliance with confidentiality and nondisparagement provisions in the agreement, and upon his having executed and delivered to the Company a release of any and all claims relating to his termination. For purposes of this agreement, Cause is deemed to exist if a majority of the members of the Company's Board of Directors determines that the Executive has (i) caused substantial harm to the Company with intent to do so or as a result of gross negligence in the performance of his duties; (ii) not made a good faith effort to carry out his duties; (iii) wrongfully and substantially enriched himself at the expense of the Company; or (iv) been convicted of a felony.

The Company's employment agreement with Mr. Madden provides that in the event that his employment is terminated by the Company before the end of the term of the agreement without Cause he will receive, as severance, the base salary identified in the agreement through the end of the term of the agreement, i.e., April 2011. His right to receive such severance is contingent upon his continuing compliance with confidentiality, non-disparagement and non-compete provisions in the agreement, and upon his having executed and delivered to the Company a release of any and all claims relating to his termination. For purposes of his agreement, Cause is deemed to exist if Mr. Madden (i) undertakes a position in competition with Albany; (ii) causes substantial harm to Albany with intent to do so or as a result of gross negligence in the performance of his duties; (iii) wrongfully and substantially enriches himself at the expense of Albany; (iv) is convicted of a felony; or (v) fails to perform his duties in an adequate and proper manner in accordance with the instructions communicated to him by his supervisor. Mr. Madden is not entitled to any severance when his employment terminates at the conclusion of the term of his agreement. However, at that point his termination shall be deemed an involuntary termination and he shall be entitled to receive 50% of any unvested RSUs previously awarded to him and 50% of the unpaid portion of his bonus account created under the Company's 2005 Incentive Plan (see page 32).

The Committee believes that under certain circumstances, severance agreements are appropriate for the attraction and retention of executive talent, consistent with the practices of peer companies. In the case of Dr. Morone, the Committee felt a severance provision was warranted in order to entice Dr. Morone to leave the security of his prior position and become the Company's CEO. The Committee considers severance to serve as a bridge in the event employment is involuntarily terminated without cause. Therefore, two years salary continuation was appropriate for Dr. Morone in light of the perceived length of time it could take to find an equivalent position. There was no sunset included in the severance provision of Dr. Morone's contract when it was drafted and executed. The Committee is aware of this fact but no action has been contemplated to address the situation. The industries in which the Company competes are undergoing significant change to which the Company must respond. It is important to shareholder value that Dr. Morone leads the Company's response to those changes without concern for the impact on his specific position. Nor has the fact that Dr. Morone's contract contains a severance provision had any impact on the Committee's deliberations and actions regarding his compensation.

With regard to Mr. Madden, the Committee felt that an employment agreement with a severance provision was warranted to provide Mr. Madden with security following the change in his responsibilities from Group Vice President - PMC Asia and Pacific to Vice President - Special Projects, to ensure his continued association with the Company for transitional purposes, and to ensure the Company with access to his expertise

during the period of change in the industry. It was also felt that had Mr. Madden been terminated against his will instead of becoming Vice President Special Projects he would have, in light of past practices, been given severance commensurate with his then salary and position. Therefore, Committee believes that severance for the remainder of the term of his employment agreement at his current, reduced salary, if terminated involuntarily, would be appropriate.

### Severance

Except as set forth above, the Company has no other agreements, contracts, plans or arrangements, written or unwritten, to provide payment to any NEO in connection with his retirement, severance, termination or separation. Nevertheless, it has been the Company's practice in recent years to make payments of severance to any salaried employee in the United States if he or she is terminated against his or her will, absent cause. Severance payments had typically been between 4 weeks and 24 months of base salary, depending on grade level and years of service. In light of this past practice, the Company adopted its 2009 Salaried Employee Severance Plan as of February 1, 2009. The plan applies to all salaried employees in the United States, except executive officers. It provides that following an involuntary termination, an eligible employee shall receive severance equal to one and one-half weeks of base salary for every year of service, with a minimum of 12 weeks and maximum of 52 weeks, plus up to six months of Company-subsidized health care and three months of outplacement services. The plan is intended to address only involuntary terminations during 2009, and will terminate on December 31, 2009 unless renewed by the Committee.

### Plan-based Compensation

Stock Options. SEC regulations require us to provide details about stock options not yet exercisable on December 31, 2008, that would become exercisable (a) if the employment of such NEO had been terminated involuntarily on such date, without cause, or (b) in the case of any NEO who had attained age 62 at the time, if his employment had been terminated on such date, voluntarily or involuntarily, without cause. However, as set forth above, the last option grants were made by the Company in November 2002. By November 7, 2007, all outstanding options issued by the Company in 2002 had become fully exercisable. Consequently, there were no as yet unexercisable options on December 31, 2008 that would become exercisable upon the involuntary termination or retirement of a NEO. The options granted to Mr. Nahl in 1997 terminate if his employment terminates prior to achievement of the option target price (see page 32, note 10).

RSUs and Performance-based Awards. The following chart indicates what the effect on RSUs and earned performance-based incentive awards in the accounts of each NEO would have been upon the occurrence of (a) termination of employment involuntarily on December 31, 2008, without cause, or (b) in the case of any NEO who had attained age 62 at the time, a voluntary or involuntary termination of employment on such date, without cause. (All of these awards are reported above in the table entitled Outstanding Equity Awards at Fiscal Year-End. )

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Would Vest Upon Such Termination (#)	Value of Shares or Units of Stock That Would Vest Upon Such Termination 1(\$)
Joseph G. Morone	101,288 <sup>2</sup>	50,644	650,267
	37,548 <sup>3</sup>	0	0
	27,688 <sup>4</sup>	13,844	177,757
	12,494 <sup>5</sup>	6247	80,211
Michael C. Nahl	32,412 <sup>2</sup>	16,206 <sup>6</sup>	208,085 <sup>7</sup>
	12,516 <sup>3</sup>	0	0
	9,230 <sup>4</sup>	4615	59,256
	1,574 <sup>5</sup>	787	10,105
David B. Madden	27,348 <sup>2</sup>	13,674	175,574
	8,325 <sup>3</sup>	0	0
	5,581 <sup>4</sup>	2,790.5	35,830

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Would Vest Upon Such Termination (#)	Value of Shares or Units of Stock That Would Vest Upon Such Termination <sup>1</sup> (\$)
	683 <sup>5</sup>	341.5	4,384
Daniel A. Halftermeyer	27,348 <sup>2</sup>	13,674	175,574
	8,325 <sup>3</sup>	0	0
	5,769 <sup>4</sup>	2,884.5	37,037
	336 <sup>5</sup>	168	2,157

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Name	Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Would Vest Upon Such Termination (#)	Value of Shares or Units of Stock That Would Vest Upon Such Termination <sup>1</sup> (\$)
Michael J. Joyce	27,348 <sup>2</sup>	13,674	175,574
	8,325 <sup>3</sup>	0	0
	4,925 <sup>4</sup>	2462.5	31,618
	1,413 <sup>5</sup>	706.5	9,071

- (1) Based on closing market price on December 31, 2008, of \$12.84.
- (2) RSUs granted under the RSU Plan in connection with the special executive retention incentive implemented in February 2008 (see page 17). For these grants, amounts shown as vesting upon termination are payable at such time, in cash.
- (3) Represents shares earned and credited to the NEO's bonus account with respect to a performance-based incentive award granted in 2008 and based on 2008 performance. None of the balance reported was earned or vested as of December 31, 2008. Pursuant to the terms of the award, this award would be canceled upon termination for any reason on December 31, 2008.
- (4) Represents shares earned and credited to the NEO's bonus account with respect to a performance-based incentive award granted in 2007 and 2008 based on performance during 2007 and 2008. None of the balance reported was vested as of December 31, 2008. For these awards, amounts shown as vesting upon termination are not payable at that time, but are distributed at the same times and in the same form (cash, or a combination of cash and shares) as if termination had not occurred.
- (5) RSUs granted under the RSU Plan in years prior to 2008. For these grants, amounts shown as vesting upon termination are payable at such time, in cash.
- (6) The shares and amounts shown would vest and become due and payable only upon an involuntary termination. Because Mr. Nahl had already reached the age of 62 when the special executive retention incentive was adopted, the terms of his award agreement provide that this award would be canceled in the event of a voluntary termination before December 31, 2010.

#### DIRECTOR COMPENSATION

Directors who are not employees of the Company are compensated for their services by fees in cash and stock. All directors are reimbursed for expenses incurred in connection with such services. In addition, the Company provides travel and liability insurance to all directors. It is the goal of the Committee to set directors' fees at a competitive level that will enable the Company to attract and retain talented, well-qualified directors.

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The payment of a portion of each director's fee in shares of Class A Common Stock of the Company is intended to align the interests of the director with the interests of our stockholders, consistent with delivering shareholder value.

**Annual Retainer.** During 2008, the Board of Directors increased the cash portion of the directors' retainer from \$40,000 to \$50,000. Therefore, directors who served for the entire year received an annual retainer of approximately \$95,000, \$50,000 of which was paid in shares of Class A Common Stock of the Company pursuant to the Directors Retainer Plan approved by the shareholders of the Company in 2006. (Amounts reported under the column "Stock Awards" below consisted solely of the stock portion of this annual retainer.) A director who served for only part of the year received one-quarter of this amount for each regular meeting attended.

**Meeting Fees.** During 2008, directors received \$1,500 for each normal meeting of the Board and \$1,000 for each normal meeting of a Committee that they attended in person or by telephone. Directors receive \$750 for their participation in each meeting of the Board or a Committee that is designated as a telephone meeting. The meeting fees received by a director for any one day were not permitted to exceed \$2,500.

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**Other Fees.** During 2008, the Chairman of each standing committee, other than the Audit Committee, received an annual fee of \$5,000 for such service. The Chairman of the Audit Committee received an annual fee of \$10,000 for such service. The Chairman of the Board received an annual fee of \$37,500 during 2008 for such service, reflecting an increase in the annual rate from \$25,000 to \$50,000 in the third quarter. Effective during the third quarter of 2008, the Vice Chairman of the Board became entitled to an annual fee of \$25,000 for such service, payable in equal quarterly installments. Directors also received \$1,500 for each day that they were engaged in Company business (other than attendance at Board or committee meetings) at the request of the Chairman of the Board or the CEO.

**Director Pension.** Each person who was a member of the Board of Directors on January 12, 2005, who was elected as a director prior to August 9, 2000, and who is not eligible to receive a pension under any other Company retirement program is, following (i) the termination of his or her service as a director and (ii) the attainment by such director of the age of 65, entitled to receive an annual pension in the amount of \$20,000, payable in quarterly installments until the earlier of (a) the expiration of a period equal to the number of full years that such person served as a director prior to May 31, 2001, or (b) the death of such person. Directors Christine Standish and Kailbourne are the only current directors so eligible. Former director Thomas R. Beecher, who retired as of May 9, 2008, is currently receiving such a pension.

### DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>1</sup> (\$)	Option Awards <sup>2</sup> (\$)	Nonequity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>2</sup> (\$)	All Other Compensation	Total (\$)
Frank R. Schmeler <sup>3</sup>	63,000						63,000
Thomas R. Beecher, Jr.	56,500				(2,974)	\$1,750 <sup>4</sup>	
Christine L. Standish	112,500				39,193	\$2,500 <sup>4</sup>	
Erland E. Kailbourne	97,002	49,998			0		
John C. Standish <sup>5</sup>	110,250						110,250
Juhani Pakkala	70,778	49,545					120,323
Paula H. J. Cholmondeley	80,252	49,998					130,250

Name	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>1</sup> (\$)	Option Awards (\$)	Nonequity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>2</sup> (\$)	All Other Compensation	Total (\$)
John F. Cassidy, Jr.	67,250	49,998					117,248
Edgar G. Hotard	62,002	49,998					112,000
Joseph G. Morone					38,040		38,040

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- (1) Value of shares distributed on payment date based on stock price of \$33.92 on such date. As these are payments of shares, and not stock awards, there are no amounts deemed outstanding at the end of 2008.
- (2) Increase (decrease) during 2008 in the actuarial present value of the director's accumulated benefit under the director pension plan described in the narrative preceding this table.
- (3) Does not include amounts received during 2008 as a retired employee. See **Certain Business Relationships and Related Person Transactions** on page 8 for a description of such amounts. Mr. Schmeler retired from the Board of Directors on May 9, 2008.
- (4) Company charitable contributions to educational institutions made pursuant to the Company's matching educational gifts program.
- (5) Mr. Standish was employed by the Company as Senior Vice President Manufacturing, Americas Business Corridor until January 31, 2008, at which time he resigned his position. Mr. Standish did not receive any additional compensation for his service as a director during the period when he was also an employee. The amounts reported reflect payments made after Mr. Standish had resigned his employment with the Company. Employment-related compensation paid to Mr. Standish during 2008 is described above under **Certain Business Relationships and Related Person Transactions** on page 8.

#### DIRECTORS' ANNUAL RETAINER PLAN

The Company's current Directors' Annual Retainer Plan, approved by the stockholders of the Company in 2006, requires that \$50,000 of a director's annual retainer, the total amount of which is determined by the Board of Directors, must be paid in shares of Class A Common Stock of the Company. Under the Corporate Governance Rules of the New York Stock Exchange, the Company cannot increase the portion of the directors' annual retainer to be paid in stock without stockholder approval.

The Company's Corporate Governance Guidelines, a copy of which is available at the Corporate Governance section of the Company's website ([www.albint.com](http://www.albint.com)), provide that, beginning January 1, 2009, directors who are not employees of the Company will receive a \$95,000 annual retainer, \$50,000 of which will be paid in shares of Class A Common Stock of the Company. In addition, in lieu of quarterly meeting fees payable in cash, each Director will receive additional shares of Class A Common Stock with a value of \$25,000.

A copy of the proposed Directors' Annual Retainer Plan, which will replace the current Directors' Annual Retainer Plan, is attached to this Proxy Statement as Exhibit A. The plan (i) provides that it will govern the stock portion of the directors' annual retainer during the period from the 2009 Annual Meeting until it is amended or terminated by the Board of Directors, (ii) extends from May 10, 2015 to May 29, 2018 the period during which shares may be paid under the Plan and (iii) increases the stock portion of total annual compensation from \$50,000 to \$75,000. The Board of Directors recommends approval of the Directors' Annual Retainer Plan.

## **New Plan Benefits**

Pursuant to the Company's Corporate Governance Guidelines, each director who is not an employee of the Company receives an annual retainer of \$95,000, of which \$50,000 is paid in shares of Class A Common Stock and \$45,000 is paid in cash. Each Director also receives quarterly meeting fees, in cash, of \$1,500 for a Board meeting, \$1,000 for a Committee meeting and \$750 for a telephone meeting. Assuming the Directors' Annual Retainer Plan is approved, the portion of the annual retainer paid in shares of Class A Common Stock will not be changed, but, in lieu of quarterly meeting fees payable in cash, each Director will receive additional shares of Class A Common Stock with a value of \$25,000. Current non-employee Directors who would be entitled to benefits under the new Directors' Annual Retainer Plan are Christine L. Standish, John C. Standish, Erland E. Kailbourne, Juhani Pakkala, Paula H. J. Cholmondeley, John F. Cassidy, and Edgar G. Hotard.

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## **RATIFICATION OF INDEPENDENT AUDITORS**

In August 2008, the Audit Committee appointed PwC as our auditors for 2008 and to perform the reviews of the financial statements to be included in our quarterly reports to the Securities and Exchange Commission on Form 10-Q with respect to the first three quarters of 2009.

The Board is asking stockholders to ratify that selection. Although current law, rules, and regulations, as well as the charter of the Audit Committee, require the Audit Committee to appoint, terminate, oversee and evaluate the performance of the Company's independent auditor, the Board considers the selection of the independent auditor to be an important matter of shareholder concern and is submitting the selection of PwC for ratification by stockholders as a matter of good corporate practice.

The affirmative vote of holders of a majority of the votes entitled to be cast at the meeting by the shares present in person or by proxy is required to approve the ratification of the selection of PwC as the Company's independent auditor.

The Audit Committee does not expect to take action with respect to the appointment of auditors for 2009 until the second half of the year. A representative of PwC will be present at the Annual Meeting, will be given an opportunity to make a statement and will be available to respond to appropriate questions.

As stated in the Audit Committee Report on page 5, the Audit Committee has received the communications related to PwC's independence required by applicable PCAOB rules, has discussed with PwC its independence, and has considered whether the provision of the services referred to below under "All Other Fees" is compatible with maintaining the independence of PwC.

### **Audit Fees**

The aggregate fees billed by, or agreed to with, PwC for the audit of the Company's annual financial statements, reviews of the financial statements included in the Company's Forms 10-Q, and services in connection with statutory and regulatory filings or engagements were \$3,656,139 for 2007 and \$3,941,600 for 2008.

### **Audit-related Fees**

PwC billed no amounts during 2007 or 2008 for assurance or related services reasonably related to the performance of the audit or review of the Company's annual financial statements, except those included in the amount reported under the heading "Audit Fees" above.

### **Tax Fees**

The aggregate fees billed by PwC for tax compliance, tax advice, and tax planning in each of 2007 and 2008 were \$348,994 and \$246,486, respectively. Billings during each period were primarily for assistance in the preparation of tax returns and filings, assistance in connection with tax audits, tax advice in connection with corporate and business restructuring activities, and general tax advice.

### **All Other Fees**

The aggregate fees billed by PwC for all other products and services not described above were \$21,407 in 2007 and \$229,419 in 2008. Services included in this category consisted principally of audits of certain benefits plans, business and tax education for certain Company employees, advice in connection with benefit plan design, advice relating to global business restructuring activities and review of internal control of information systems.

### **Pre-approval Policy**

It is the responsibility of the Company's Audit Committee to approve all audit and non-audit services to be performed by the independent auditors, such approval to take place in advance of such services when required by law, regulation, or rule.

The Chairman of the Audit Committee is permitted to pre-approve any engagement of the independent auditor for services that could be properly pre-approved by the Committee, provided that the anticipated fees with respect

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to the services so pre-approved do not exceed \$100,000. The Chairman is required to report such pre-approvals to the next regular meeting of the Committee.

The Audit Committee is required to pre-approve each engagement of the independent auditor not preapproved by the Chairman of the Committee. Each such preapproval must describe the particular service to be rendered. No preapproval may be given for any service that would cause the independent auditor to be considered not independent under applicable laws and regulations.

With respect to the engagement of the independent auditor to provide routine and recurring audit-related tax and other non-audit services, pre-approval of the Audit Committee may take the form of approval of a schedule describing such services in reasonable detail and specifying an annual monetary limit. Each audit or non-audit service (excluding tax services provided in the ordinary course) shall be reflected in a written engagement or other writing. In connection with the provision of permitted tax services, the independent auditor is required to, among other things, provide a written description of the services and discuss their impact on the auditor's independence.

None of the 2007 or 2008 services described above was approved by the Audit Committee or its Chairman pursuant to 17 CFR 210.2-01(c)(7)(i)(C), which permits the waiver of pre-approval requirements in connection with the provision of certain non-audit services.

### **STOCKHOLDER PROPOSALS**

The Company's By Laws provide that proposals of stockholders, including nominations of persons for election to the Board of Directors of the Company, shall not be presented, considered or voted upon at an annual meeting of stockholders, or at any adjournment thereof, unless (i) notice of the proposal has been received by mail directed to the Secretary of the Company at the address set forth in the Notice of Meeting not less than 100 days nor more than 180 days prior to the anniversary date of the last preceding annual meeting of stockholders and (ii) the stockholder giving such notice is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such annual meeting. Each such notice shall set forth (i) the proposal desired to be brought before the annual meeting and the reasons for presenting such proposal at the annual meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder making such proposal, (iii) the number and class of shares owned beneficially or of record by such stockholder, (iv) any material interest of such stockholder in the proposal, and (v) such other information with respect to the proposal and such stockholder as is required to be disclosed in solicitation of proxies to vote upon such proposal, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Proxy Rules). In the case of proposed nominations of persons for election to the Board of Directors, each such notice shall also (i) set forth such information with respect to such nominees and the stockholder proposing the nominations as is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to the Proxy Rules and (ii) be accompanied by the written consent of each proposed nominee to being named in the Company's proxy statement as a nominee and to serving as a director if elected, and by written confirmation by each such nominee of the information relating to such nominee contained in the notice.

Proposals of stockholders that are intended to be presented at the Company's 2010 Annual Meeting of Stockholders must be received by the Company at its principal executive offices at P.O. Box 1907, Albany, New York 12201-1907, not later than December 15, 2009, in order to be considered for inclusion in the Company's proxy statement and form of proxy. In addition, to be so included, a proposal must otherwise comply with all applicable proxy rules of the Securities and Exchange Commission.

In addition, management proxies for the 2010 Annual Meeting may confer discretionary authority to vote on a stockholder proposal that is not included in the Company's proxy statement and form of proxy if the Company does not receive notice of such proposal by February 28, 2010, or if such proposal has been properly excluded from such proxy statement and form of proxy.

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**OTHER MATTERS**

The Board knows of no other matters to be presented for consideration at the Annual Meeting. Should any other matters properly come before the meeting, the persons named in the accompanying proxy will vote such proxy thereon in accordance with their best judgment.

The cost of soliciting proxies in the accompanying form will be borne by the Company. In addition to solicitation of proxies by use of the mails, regular employees of the Company, without additional compensation, may solicit proxies personally or by telephone.

Charles J. Silva, Jr.  
*Secretary*

April 8, 2009

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**Exhibit A**

**DIRECTORS ANNUAL RETAINER PLAN**

1. This Plan shall govern the annual retainer and quarterly meeting fees payable for services as a member of the Board of Directors of Albany International Corp. ( the Company ) during the period from the Annual Meeting of Stockholders of the Company in 2009 until it is amended or terminated by the Board of Directors; provided, that in no event shall any shares be paid under this plan after May 28, 2018. This Plan shall affect only the portion of the annual retainer or meeting fees to be paid in shares of Class A Common Stock ( Shares ) of the Company.
2. A portion of the amounts payable for service as a member of the Board of Directors each year shall be paid in Shares. Each director shall receive a portion of the annual retainer equal to \$50,000 in Shares. In lieu of quarterly meeting fees, each director shall receive additional Shares each year with a value of \$25,000. The total number of shares to be paid to each director each year shall be determined by dividing \$75,000 by the per share closing price of a share of such stock on the day of the Annual Meeting at which the election of directors for such year occurs ( the Valuation Price ), as such Valuation Price is shown on the composite index for such day in the *Wall Street Journal*, rounded down to the nearest whole number. Any director may elect to have any withholding tax obligation arising from the distribution of shares under this Plan to be satisfied by directing the Company to withhold shares with a value equal to such obligation from the shares that would otherwise be issuable. In addition, any director who has met or exceeded any share ownership guidelines or requirements adopted by the Board of Directors and then in effect, may elect to receive all or any portion of the shares that would otherwise be distributed under this paragraph in cash. Any election pursuant to this paragraph shall be made no later than 10 business days prior to the date on which shares would otherwise be delivered.
3. The shares of Class A Common Stock payable to a director under this Plan shall be delivered to the director as promptly as practicable after each Annual Meeting. Upon delivery to the director, such shares shall be fully paid, non-assessable and not subject to forfeiture.
4. The portion of the annual retainer not paid in shares that is, the aggregate dollar amount of the annual retainer for the year, as determined from time to time by the Board of Directors, less (i) the Valuation Price times (ii) the number of whole shares payable to a director for the year as well as any cash meeting fees or other cash compensation, shall be paid to the directors in cash at such time or times during the year as the Board of Directors shall from time to time determine.
5. This Plan may be terminated or amended by the Board of Directors at any time, subject to any applicable rules or regulations requiring approval by stockholders of the Company.

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Please mark  
your votes as  
indicated in  
this example

X

ITEM 1 Election of Directors

	<del>FOR</del>	<del>ABSTAIN</del>	<del>FOR</del>	<del>ABSTAIN</del>
01 John F. Cassidy, Jr.	0	0	0	0
			06 Juhani Pakka	0
02 Paula H.J. Cholmondeley	0	0	0	0
			07 Christine L. Standish	0
03 Edgar G. Hotard	0	0	0	0
			08 John C. Standish	0
04 Erland E. Kailbourne	0	0	0	
05 Joseph G. Morone	0	0	0	

	<del>FOR</del>	<del>AGAINST</del>	<del>ABSTAIN</del>
ITEM 2 Approval of Directors Annual Retainer Plan.	0	0	0
ITEM 3 Ratification of the selection of PricewaterhouseCoopers LLP as independent auditor.	0	0	0
ITEM 4 In their discretion upon other matters that may properly come before this meeting.			

I will attend the Annual Meeting: YES

Mark Here for Address Change or Comments  
**SEE REVERSE**

**Signature** **Signature** **Date**  
 Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

**5 FOLD AND DETACH HERE 5**

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.

**Albany International Corp.**

**INTERNET**  
<http://www.proxyvoting.com/ain>

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

**OR**

**TELEPHONE**  
**1-866-540-5760**

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**Important notice regarding the Internet availability of proxy materials for the Annual Meeting of shareholders**

The Proxy Statement and the 2008 Annual Report to Stockholders are available at:

<http://bnymellon.mobular.net/bnymellon/ain>

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**Proxy**

**Albany International Corp.**  
**Proxy solicited on behalf of the Board of Directors**  
**for Annual Meeting of Stockholders to be held May 29, 2009**

The undersigned hereby constitutes and appoints Erland E. Kailbourne and Joseph G. Morone, and each of them, the true and lawful agents and proxies of the undersigned, with full power of substitution in each, to vote as indicated herein, all of the shares of Common Stock which the undersigned would be entitled to vote if present in person, at the Annual Meeting of Stockholders of ALBANY INTERNATIONAL CORP. to be held at Wolferts Roost Country Club, 120 Van Rensselaer Boulevard, Albany, New York on Friday, May 29, 2009 at 10:00 a.m. local time, and any adjournment or adjournments thereof, on matters coming before said meeting.

The shares represented by this proxy, when properly executed, will be voted in the manner directed herein. **If no direction is made, the shares will be voted FOR Items 1, 2 and 3.**

Participants in the Company's ProsperityPlus 401(k) Savings Plan have the right to direct Vanguard Fiduciary Trust Company, as Plan Trustee, how to vote shares of Common Stock allocated to their 401(k) plan accounts. If no such direction is given to Vanguard, Vanguard shall interpret this as a direction not to vote any such shares. If properly executed, this proxy shall give the proxies appointed above authority to direct Vanguard to vote the shares in the undersigned's 401(k) account in the manner directed. If this proxy is properly executed but no direction is given, the proxies appointed above shall direct Vanguard to vote such shares FOR Items 1, 2 and 3.

**Please mark, sign, date and return this proxy card promptly using the enclosed envelope**

BNY MELLON SHAREOWNER SERVICES  
P.O. BOX 3550  
SOUTH HACKENSACK, NJ 07606-9250

**Address Change/Comments**  
(Mark the corresponding box on the reverse side)

**5 FOLD AND DETACH HERE 5**

Choose **MLink<sup>SM</sup>** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect<sup>®</sup>** at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) where step-by-step instructions will prompt you through enrollment.

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